

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

MEETING OF THE NATIONAL PETROLEUM COUNCIL

Conference Room of the Secretary of
the Department of the Interior,
(New) Department of the Interior Bldg.,

Washington, D. C.

April 22, 1947

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Conference Room of the Secretary of
the Department of the Interior,
(New) Department of the Interior Bldg.,
Washington, D. C.,
Tuesday, April 22, 1947

Met, pursuant to notice, at 10:00 o'clock a.m.

PRESENT:

WALTER S. HALLANAN, Chairman, presiding;

JAMES V. BROWN, Secretary.

ALSO PRESENT:

H. T. Ashton, President

Western Petroleum Refiners Assn.

c/o Socony-Vacuum Oil Co., Inc.

4140 Lindell Boulevard

St. Louis, Missouri

T. H. Barton, President

Lion Oil Company

Exchange Building

El Dorado, Arkansas

Burt R. Bay, President

Northern Natural Gas Company

310 Aquila Court, Omaha 1, Nebraska

Jacob Blaustein, President

American Trading & Production Corp.

American Building

Baltimore 3, Maryland

Paul G. Blazer, Chairman of the Board

Ashland Oil & Refining Company

Ashland Oil & Refining Building

Ashland, Kentucky

William R. Boyd, Jr., President

American Petroleum Institute

50 West 50th Street

New York 20, N. Y.

Reid Brazell, President

Leonard Refineries, Inc.

East Superior Street

Alma, Michigan

J. S. Bridwell, President

Bridwell Oil Company

814 City National Bank Building

Wichita Falls, Texas

Russell B. Brown, General Counsel

Independent Petroleum Association of America

500 Investment Building

Washington 5, D. C.

Howard A. Cowden, President

Consumers Cooperative Association

318 East 10th Street

Kansas City 6, Missouri

Stuart M. Crocker, President

Columbia Gas and Electric Corp.

61 Broadway

New York 4, N. Y.

Henry M. Dawes, President

The Pure Oil Company

35 East Wacker Drive

Chicago 80, Illinois

E. DeGolyer

DeGolyer and MacNaughton

1000 Continental Building

Dallas 1, Texas

O. D. Donnell, President

The Ohio Oil Company

539 South Main Street

Findlay, Ohio

Fayette B. Dow, General Counsel

National Petroleum Association

930 Munsey Building

Washington 4, D. C.

Gordon Duke, Chairman

National Council of Independent Petroleum Association

c/o Southeastern Oil, Inc.

60 East 42nd Street

New York 17, N. Y.

James P. Dunnigan, President

Producers Refining Company, Inc.

West Branch, Michigan

~~Leroy Edwards, President~~

~~Southern California Gas Company~~

~~810 South Flower Street~~

~~Los Angeles 54, California~~

Louis M. Faber, Executive Secretary

Retail Gasoline Dealers Association

2218 North Third Street

Milwaukee, Wisconsin

R. G. Follis, President

Standard Oil Company of California

225 Bush Street

San Francisco 20, California

Walter S. Hallanan, President

Plymouth Oil Company

223 Fourth Avenue

Pittsburgh 22, Pennsylvania

D. P. Hamilton, President

Root Petroleum Company

Commercial National Bank Building

Shreveport 90, Louisiana

C. L. Henderson, President

The Vickers Petroleum Company

201 Wheeler Kelly Haggy Building

Wichita, Kansas

George A. Hill, Jr., President

Houston Oil Company of Texas

P. O. Box 2412

Houston, Texas

Eugene Holman, President

Standard Oil Company (New Jersey)

30 Rockefeller Plaza

New York 20, N. Y.

D. A. Hulcy, President

Lone Star Gas Company

1915 Wood Street

Dallas 1, Texas

William F. Humphrey, President

Tide Water Associated Oil Company

79 New Montgomery Street

San Francisco 20, California

H. L. Hunt, President

Hunt Oil Company
700 Mercantile Building
Dallas 1, Texas

A. Jacobsen, President

Amerada Petroleum Corporation
120 Broadway
New York 5, N. Y.

Carl A. Johnson, President

Independent Refiners Association of California, Inc.
c/o Holly Development Company
458 South Spring Street
Los Angeles 13, California

John M. Lovejoy, President

Seaboard Oil Company of Delaware
30 Rockefeller Plaza
New York 20, N. Y.

B. L. Majewski, Vice President

Deep Rock Oil Company
155 North Clark Street
Chicago, Illinois

J. Howard Marshall, President

National Stripper Well Association
c/o Ashland Oil & Refining Company
Ashland, Kentucky

N. C. McGowen, President

United Gas Corporation

P. O. Box 1407

Shreveport, Louisiana

Joseph E. Pogue, Vice President

Chase National Bank

18 Pine Street

New York 5, N. Y.

Frank M. Porter, President

Mid-Continent Oil and Gas Association

2501 First National Building

Oklahoma City 1, Oklahoma

H. J. Porter

1428 Commerce Building

Houston, Texas

E. E. Pyles

1141 Subway Terminal Building

417 South Hill Street

Los Angeles 13, California

Walter R. Reitz

Secretary & Treasurer, Quaker State Oil Refining Corp.

P. O. Box 138

Oil City, Pennsylvania

D. T. Ring, President

Pennsylvania Grade Crude Oil Assn.

c/o Columbia Oil & Gas Corp.

805 Atlas Building

Columbus, Ohio

M. H. Robineau, President

The Frontier Refining Company

320 First National Bank Building

Denver 2, Colorado

Chas. F. Roeser, President

Roeser and Pendleton, Inc.

613 Fort Worth Club Building

Fort Worth, Texas

R. S. Shannon, President

Pioneer Oil Corporation

920 Midland Savings Building

Denver, Colorado

W. G. Skelly, President

Skelly Oil Company

Skelly Building

Tulsa, Oklahoma

R. G. A. van der Woude, President

Shell Union Oil Corporation

50 West 50th Street

New York 20, N. Y.

W. W. Vandever, President

Allied Oil Company, Inc.

1700 Standard Building

Cleveland, Ohio

Eric V. Weber

4179 Home Lawn Avenue

Cheviot 11, Ohio

H. C. Wiess, President

Humble Oil & Refining Co.

P. O. Box 2180

Houston, Texas

Robert E. Wilson, Chairman of the Board

Standard Oil Company (Indiana)

910 South Michigan Avenue

Chicago 80, Illinois

Ralph T. Zook, President

The Sloan and Zook Company

101 Main Street

Bradford, Pennsylvania

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P R O C E E D I N G S

Mr. Hallanan: Gentlemen, the Council will come to order.

The Secretary will call the roll.

Mr. Brown: Mr. Adams.

(No response.)

Mr. Brown: Mr. Ashton.

Mr. Ashton: Here.

Mr. Brown: Mr. Barton.

Mr. Barton: Here.

Mr. Brown: Mr. Bay.

Mr. Bay: Here.

Mr. Brown: Mr. Blaustein.

Mr. Blaustein: Here.

Mr. Brown: Mr. Blazer.

Mr. Blazer: Here.

Mr. Brown: Mr. Boyd.

Mr. Boyd: Here.

Mr. Brown: Mr. Brazell.

Mr. Brazell: Here.

Mr. Brown: Mr. Bridewell.

Mr. Bridewell: Here.

Mr. Brown: Mr. Brown.

Mr. Russell B. Brown: Here.

Mr. Brown: Mr. Cowden.

Mr. Cowden: Here.

Mr. Brown: Mr. Crocker.

Mr. Crocker: Here.

Mr. Brown: Mr. Dawes.

Mr. Dawes: Here.

Mr. Hallanan: Gentlemen, I want to pause here for a moment and call your attention to the fact that the gentleman whose name has been called, Mr. Henry M. Dawes, is today celebrating his 70th birthday.

(Applause.)

Mr. Brown: Mr. DeGolyer.

Mr. DeGolyer: Here.

Mr. Brown: Mr. Donnell.

Mr. Donnell: Here.

Mr. Brown: Mr. Dow.

Mr. Dow: Here

Mr. Brown: Mr. Drake.

(No response.)

Mr. Brown: Mr. Dressler.

(No response.)

Mr. Brown: Mr. Duke.

Mr. Duke: Here.

Mr. Brown: Mr. Dunn.

(No response.)

Mr. Brown: Mr. Dunnigan.

Mr. Dunnigan: Here.

Mr. Brown: Mr. Edwards.

~~Mr. Brown: Mr. Edwards.~~
(No Response)
~~Mr. Edwards: Here.~~

Mr. Brown: Mr. Faber.

Mr. Faber: Here.

Mr. Hallanan: Mr. Faber, will you rise, please?

I want to present Mr. Faber, a new member of the Council, who is the Executive Secretary of the Retail Gasoline Dealers' Association, Milwaukee, Wisconsin.

Gentlemen, Mr. Faber, our latest member of the Council.

(Applause.)

Mr. Brown: Mr. Fenton.

(No response.)

Mr. Brown: Mr. Ferguson.

(No response.)

Mr. Brown: Mr. Follis.

Mr. Follis: Here.

Mr. Brown: Mr. Glen.

(No response.)

Mr. Brown: Mr. Hallanan.

Mr. Hallanan: Here.

Mr. Brown: Mr. Hamilton.

Mr. Hamilton: Here.

Mr. Brown: Mr. Hamon.

(No response.)

Mr. Brown: Mr. Hardey.

(No response.)

Mr. Brown: Mr. Henderson.

Mr. Henderson: Here.

Mr. Brown: Mr. Hill.

Mr. Hill: Here.

Mr. Brown: Mr. Holliday.

(No response.)

Mr. Brown: Mr. Holman.

Mr. Holman: Here.

Mr. Brown: Mr. Hulcy.

Mr. Hulcy: Here.

Mr. Brown: Mr. Humphrey.

Mr. Humphrey: Here.

Mr. Brown: Mr. Hunt.

Mr. Hunt: Here.

Mr. Brown: Mr. Jacobsen.

Mr. Jacobsen: Here.

Mr. Brown: Mr. Jennings.

(No response.)

Mr. Brown: Mr. Jergins.

(No response.)

Mr. Brown: Mr. Johnson.

Mr. Johnson: Here.

Mr. Brown: Mr. Jones.

(No response.)

Mr. Brown: Mr. Alton Jones.

(No response.)

Mr. Brown: Mr. Lerch.

(No response.)

Mr. Brown: Mr. Lloyd.

(No response.)

Mr. Brown: Mr. Lovejoy.

Mr. Lovejoy: Here.

Mr. Brown: Mr. Maguire.

(No response.)

Mr. Brown: Mr. Majewski.

Mr. Majewski: Here.

Mr. Brown: Mr. Mattei.

(No response.)

Mr. Brown: Mr. Marshall.

Mr. Marshall: Here.

Mr. Brown: Mr. McGowen.

Mr. McGowen: Here.

Mr. Brown: Mr. Morrill.

(No response.)

Mr. Brown: Mr. Mosher.

(No response.)

Mr. Brown: Mr. Moyle.

(No response.)

Mr. Brown: Mr. Nolan.

(No response.)

Mr. Brown: Mr. O'Shaughnessy.

(No response.)

Mr. Brown: Mr. Parten.

(No response.)

Mr. Brown: Mr. Pogue.

Mr. Pogue: Here.

Mr. Brown: Mr. Porter.

Mr. Porter: Here.

Mr. Frank M. Porter: Here.

Mr. Brown: Mr. H. J. Porter.

Mr. H. J. Porter: Here.

Mr. Brown: Mr. Pyles.

Mr. Pyles: Here.

Mr. Brown: Mr. Reitz.

Mr. Reitz: Here.

Mr. Brown: Mr. Ring.

Mr. Ring: Here.

Mr. Brown: Mr. Robineau.

Mr. Robineau: Here.

Mr. Brown: Mr. Rodgers.

(No response.)

Mr. Brown: Mr. Roeser.

Mr. Roeser: Here.

Mr. Brown: Mr. Rowan.

(No response.)

Mr. Brown: Mr. Rowsey.

(No response.)

Mr. Brown: Mr. Shannon.

Mr. Shannon: Here.

Mr. Brown: Mr. Sinclair.

(No response.)

Mr. Brown: Mr. Skelly.

Mr. Skelly: Here.

Mr. Brown: Mr. Taylor.

(No response.)

Mr. Brown: Mr. Thatcher.

(No response.)

Mr. Brown: Mr. van der Woude.

Mr. van der Woude: Here.

Mr. Brown: Mr. Vandever.

Mr. Vandever: Here.

Mr. Brown: Mr. Vaughn.

(No response.)

Mr. Brown: Mr. Warren.

(No response.)

Mr. Brown: Mr. Weber.

Mr. Weber: Here.

Mr. Brown: Mr. Whaley.

(No response.)

Mr. Brown: Mr. White.

(No response.)

Mr. Brown: Mr. Wiess.

Mr. Wiess: Here.

Mr. Brown: Mr. Wilson.

Mr. Wilson: Here.

Mr. Brown: Mr. Zook.

Mr. Zook: Here.

Mr. Hallanan: A quorum is present.

Gentlemen, the first order of business is the reading of the minutes of the session of January 21. What is the pleasure of the Council?

(A motion was made and seconded that the minutes be approved.)

Mr. Majewski: Mr. Chairman --

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: I am in full favor of that, but I would like to secure unanimous consent of the Council to work out with you a small revision on page 7 which would fully reflect the views that I expressed on the question of the Agenda Committee at the last meeting. I would like unanimous consent to work that out with you and make that a part of the minutes as they are approved.

Mr. Hallanan: If there is no objection, so ordered.

All approving the minutes indicate by saying "aye"; con-

trary -- so ordered.

I bring to the attention of the Council the resignation of Mr. J. Howard Pew, who has been a member of the Council from its organization, and I should like for the minutes to have read at this time Mr. Pew's letter of resignation, which is predicated upon his retirement as president of the Sun Oil Company, and also the letter of the Secretary of the Interior in answer to Mr. Pew's letter.

Mr. Secretary, will you read the letters, please.

Mr. Brown: (Reading)

"April 2, 1947

Honorable J. A. Krug
Secretary of the Interior
Washington, D. C.

Dear Mr. Secretary:

As you probably know, I have resigned as President of Sun Oil Company, and am no longer active in an executive capacity in respect to the business of the Company. I have also resigned as a Director of the American Petroleum Institute.

It is, I feel, therefore incumbent upon me to resign as a member of the National Petroleum Council, as I will neither have the time nor the close contact with the petroleum industry to be of service to the Council.

I therefore tender my resignation as a member of the Council effective at once.

The organization in this Company has long appreciated the very real contribution which you rendered the country during those years in which you have served so efficiently and effectively as a Government official. It is a great personal regret that I will no longer be associated with you in the affairs of the petroleum industry.

Sincerely yours,

(Signed) J. Howard Pew."

Secretary Krug's reply is as follows:

"April 11, 1947

Dear Mr. Pew:

It is with keen regret that I have received your letter tendering your resignation from the National Petroleum Council because of your retirement from an active position in the petroleum industry.

In accepting your resignation, I wish to express the Interior Department's and my personal appreciation for the splendid contribution of ability, experience, and common sense which you brought to our joint Government-Industry councils.

In entering upon your richly deserved retirement, you will take with you deep satisfaction in the knowledge of your outstanding accomplishments for the Nation and for the petroleum industry during your long and distinguished career, including your important work in bringing about the effective

and successful mobilization of American oil resources that was so essential to victory in the recent war.

Please accept my thanks for your very kind remarks about my services as a Government official, and my sincere good wishes for many happy and successful years in the pursuits to which you now turn.

Sincerely yours,

(Signed) J. A. Krug

Secretary of the Interior."

Mr. Hallanan: If there is no objection, I should like to ask the Secretary to have these letters made a part of the minutes of this session. Is there objection?

(No response.)

Mr. Hallanan: If not, it is so ordered.

Mr. Majewski: Mr. Chairman --

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: Mr. Pew has served this industry in a quasi-public capacity and in cooperative industry affairs for many years. He is a man of the highest caliber and unquestioned integrity. His intelligent approach to public and industrial problems has been of inestimable value to the Nation and to this industry. I would like to have this Council direct you, please, sir, to properly and fitting acknowledge, on behalf of this Council, the service of Mr. Pew to this industry by appropriate letter, which

letter should be made a part of this record.

I so move.

(The motion was duly seconded.)

Mr. Hallanan: You have heard the motion, gentlemen.

All in favor say "aye"; contrary, "no".

(The motion was carried.)

Mr. Hallanan: I may say for your information that I have already written a letter of that kind. I didn't have that read. It was more or less of a personal letter, but I will be glad to reaffirm it.

Mr. Majewski: Make that a part of the record.

Mr. Hallanan: Yes.

The next order of business will be the report of the Council's finances.

Mr. Brown: At the last meeting we reported a balance on hand of \$19,052.10. Since that time up to and including yesterday the contributions have been \$19,904.07, making \$38,900-odd we have received so far. During the period since the last report our disbursements have totalled \$8,643.19, with a balance on hand this morning of \$30,313.98.

Mr. Hallanan: The report will be filed and made a part of the minutes of the meeting.

Gentlemen, at our opening session this morning I should like for us to have the privilege of hearing from the Director of the Oil & Gas Division, Mr. Ball. Mr. Ball

has been ill for some several weeks with an attack of flu.

I know that he has been through some pretty severe days with all of the problems that have been thrown on him. But, anyway, we are happy to see him here this morning, and I should like at this initial session to have him indicate to us anything that he may have as an objective for this session of the Council.

Mr. Ball.

(Applause.)

Mr. Ball: Thank you, gentlemen. Thank you for the kind words, Walter. I did have the flu. I acquired the bug in California -- and they must have particularly unusual ones out there, because it laid me low for longer than I have ever been laid low before. However, I think I can call on Walter or George to testify that I am fully recovered, considering the session we put in all day yesterday and the evening.

I have just a few remarks to make. Some of the figures that I had intended to give you I haven't received yet, so I will give them to you in more detail later. But I want to indicate to you the final crystallization -- I shouldn't say final crystallization but crystallization of my own thinking about the functions of the Oil & Gas Division. As I indicated to you at the last Council meeting my thought was drifting then in the direction of an

organization which should be primarily a staff agency and only to a lesser extent an operating agency. That process of evolutionary thinking has gone on as I have had more and more experience on this job and have had more and more chance to study the job until now I have gone in my thinking the whole distance and am convinced that the greatest usefulness for the Oil & Gas Division lies in being purely a staff agency with no operating functions at all. I would look forward to the day when we would be able to transfer to the Bureau of Mines, or to someone else, the single operating function that we have today, namely, the administration of the Connally Hot Oil Act, so that the Oil & Gas Division would become a division of the Secretary's Office and not an operating bureau. That is what it is today, except that it is trying to exercise this one operating function. I think we are doing a fairly good job of it and we are from time to time under some pressure to take on other operating functions.

To my mind an organization is either one thing or the other. It is either a staff agency, which means it has advisory powers, or it is an operating agency, which means that it has operating functions and a certain amount of operating authority. But I cannot conceive of an organization properly being both. To me it seems that the Oil & Gas Division's greatest sphere of usefulness -- in fact, it

will have a far greater sphere of usefulness if it operates as a staff agency pure and simple -- the Government's liaison agency with the State regulatory bodies, the Government's primary channel of communications with the industry, an organization which advises, attempts to coordinate and correlate with respect to the Government's oil and gas activities, but which does not take on itself any operating functions.

Now, perhaps that final crystallization of my own thinking is not so important, but I can give you the assurance that that is completely approved and agreed by the Secretary of the Interior and that that is the vision that he always has for the Oil & Gas Division.

Now, that, you see, makes the Oil & Gas Division an organization which has no authority over anybody, which is exactly what I think it should be. It certainly never has had, never has wanted, and there was no prospect of its having any authority over the industry. Equally, obviously, it has no authority over the States. And now my vision is that it have no authority over any Government agency. Influence -- yes, I hope a great deal, and I think it will have a great deal more because it is not in a position to exercise authority.

Now, that means that a certain danger that I have been hearing about lately doesn't exist. I have been hearing

about this danger, that the Oil & Gas Division is a good thing, a fine thing, as long as Max Ball is head of it, because Max Ball doesn't believe in Government control, but Lord help us if it should ever fall into the hands of somebody else.

Now, in the first place, I don't consider that very much of a compliment to me, to think that I am creating the type of an organization which, if I should step out and another man should step in, would become a danger, but whether that is a compliment to me or not, the sort of thing I am talking about and the sort of thing the Secretary is thinking about and the sort of thing which the Oil & Gas Division has already become except for this little tail of the Connally Hot Oil thing, is a thing that no matter who comes in and takes my place is still not in any sense and cannot be in any sense a danger to the industry.

So much for that.

Now, we come to a sad story, and on this I haven't yet the detail figures, they haven't come down to me; they are in preparation, but that is this sad story that, as you know, the Interior Department appropriation bill was reported out to the House yesterday, and the Department as a whole was cut about 47 percent. We are not concerned in this room with cuts effecting the Reclamation Service or the Indian Service or Bonneville power or a lot of the other things. The thing

we are concerned with is what has happened to Oil & Gas appropriations. To start off with, ours, the Oil & Gas Division's, is wiped out. No funds whatever except for a very modest sum to carry on the Connally Hot Oil Act, which, as I have already told you, is not a proper function for the Oil & Gas Division, and, at any rate, the amount of money appropriated for that wouldn't leave any Oil & Gas Division, that would have to be turned over to somebody else to be carried on a half-hearted way. But except for \$124,000 for the Connally Hot Oil Act, the Oil & Gas Division would get no funds at all under the bill as reported to the House.

The Bureau of Mines has been very heavily cut, a matter that I think is of concern to everybody in the oil and gas business. They didn't fare too badly on their synthetic fuels but their funds for oil and gas investigations, the funds under which they do the research and constructive work that is of such value to the industry have been seriously cut, so heavily cut that probably their work on secondary recovery, for instance, will be very seriously curtailed if not terminated. And then their funds for their Mineral Economics Division, which is the division that prepares their statistics, have been so heavily cut that the petroleum statistics are bound to suffer and suffer seriously, the statistics on which the industry so much depends, Bureau of Mines figures.

Geological Survey has also sustained some heavy cuts. Fortunately the cut for geologic work, under which their general oil and gas mapping comes, has not been so serious as the funds for certain other types of work in the Department. Cut enough, -- I mean cut too much, but still they can live with it, they can live with the thing and carry on and do some work. The place where they are terrificly hard hit is in the Conservation Branch and in their mineral leasing work.

Now, those of you who have tried to get mineral leases in the past few years know how far the Survey has been behind, and along with that goes a similar cut to the Land Office.

Now, it takes, in general, a year and a half to two years to get a lease on public lands, because they haven't had the staff to keep up with the work. I think, speaking frankly among ourselves, that the handling of those things -- I am not saying anything that isn't being discussed around amongst us and that they agree on -- that the handling of public land leases can be simplified and expedited, but you can't even simplify and expedite if you haven't got some people to do some work, and the Bureau of Land Management and the Survey are cut right across the pocketbook on that work, which simply means that at a time when we should have all the exploration and development of public lands that we can possibly promote there simply is not going to be a staff to

get the leases out so that people can explore and develop public lands. That is the picture. There isn't very much we can do about it. Nobody knows what the Senate will do about it, of course, because the relations between the houses in this set-up now are an untried thing. Nobody knows, as I say, what the Senate will do and there isn't very much we can do about it. I mean, so far as the Oil & Gas Division is concerned. It would be of very little value for me to take my hat in my hand and go over and crawl around on the hill and say "Mister, won't you please give us money so that I can continue in my job?" That would be my position, and it would be as effective as that sounds. It is against the law for a Government official to solicit help or action with respect to an appropriation. I don't intend to do it. I wouldn't do it if it weren't against the law. I know of no laws against stating what are cold facts, and the cold facts of the matter are that the Oil & Gas Division, this work of the Bureau of Mines, this work of the Geological Survey, these activities of the Bureau of Land Management, will continue after the 1st of July if the industry wants them to and not otherwise. "

Mr. Hallanan: Thank you, Mr. Ball.

(Applause.)

Mr. Hallanan: Are there any questions by members of the Council to Mr. Ball in connection with the subjects which

he has discussed?

Mr. Majewski: Mr. Chairman --

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: I don't know much about these things except from reading the papers and listening to what the Appropriations Committee did on one or two occasions in the House, and I don't know much about this Wildlife -- or nightlife -- in fish. Is that, nightlife in fish? But I do know something about the value of the Oil & Gas Division of the Interior Department to the industry and to the American people. I don't consider Max Ball's statement at all a solicitation of support from this group, but as an oil man I want to call your attention to the fact that there has been some whispering that guys like Majewski, and the major companies, do not want the Oil & Gas Division. That is not true. I have yet to hear any concrete evidence that any oil man has stated, directly or indirectly, above the table or under the table, that this is the end of the Oil & Gas Division and that we desire it.

As concrete evidence of the fact that we do not desire it I would like to present an appropriately worded resolution, which would be brief, authorizing the chairman of this Council to make such representations to the House Appropriations Committee and to the Senate Finance Committee --

Mr. Hallanan: Senate Appropriations.

Mr. Majewski: Is that it? I don't know much about politics, and I stand corrected. Whatever the hell the committee, I would like to see this Council authorize its chairman to take whatever appropriate means are necessary to insure the life of the Oil & gas Division for the next biennium, or if it is on an annual basis, at least for the next fiscal year. In doing this we allay the suspicion that the hierarchy of the industry doesn't want this thing called the Oil & Gas Division; also it will afford the American people a forum, the only forum it has, for knowing what is the progressive thing, both in Government and in the industry, on petroleum.

I move you now that the chairman of this Council be empowered to make such representation to the appropriate Congressional committees to insure an adequate appropriation to continue the function of the Oil & Gas Division.

Before I sit down, I can't conceive of the "intelligent" thinking that occurs sometimes in Congressional circles. I wonder why they have appropriated \$100,000-plus for the enforcement of the Connally Hot Oil Act. That is about as necessary, in my opinion, as it is to have a Republican mayor to administer the affairs of the City of Chicago.

I would like a second to my motion and an unanimous vote.

Mr. Hallanan: You have heard the motion.

Is there a second?

(The motion was duly seconded.)

Mr. Hallanan: Are you ready for the question?

Mr. H. J. Porter: Mr. Chairman --

Mr. Hallanan: Mr. Porter.

Mr. H. J. Porter: Mr. Chairman, I would like to offer a substitute motion, that discussion on the motion of Mr. Majewski be deferred and the vote be deferred on it until this afternoon, until we have heard the Agenda Committee's report and the remarks of other Government officials.

Mr. Majewski: I have no objection if the gentleman that seconded the motion will withdraw his second. I have no objection to deferring discussion and a vote until this afternoon.

Mr. Hallanan: Will the second agree to the withdrawal of the motion?

Mr. Roeser: I agree.

Mr. Wilson: Mr. Chairman --

Mr. Hallanan: Mr. Wilson.

Mr. Wilson: I think it would be more effective if we could draw up a resolution which would set forth some of the reasons -- to which the Council could agree -- as to why the Oil & Gas Division should be kept in operating condition. To merely empower the chairman to do everything in his power might not, still, allay some of the questions. If we could agree on a resolution of the importance of the func-

tions to the country, I believe it would be stronger.

Mr. Jacobsen: Mr. Chairman --

Mr. Hallanan: Mr. Jacobsen.

Mr. Jacobsen: I would like to call attention to the fact that, as Mr. Max Ball showed me last night, in the report of the House on this item of the appropriation for the Oil & Gas Division, the proposal is made that the Oil & Gas Division functions solely or mainly -- I believe that is correct -- for the benefit of the industry, that it is something that only industry wants and that, therefore, industry ought to pay for it by means of a special tax.

Mr. Hallanan: I think all of that, Mr. Jacobsen, indicates the confusion that existed in the minds of the committee as to the Oil & Gas Division and the underlying purpose of it. I think Dr. Wilson's suggestion, Mr. Majewski, is one that would be very helpful. If we are going to pass a resolution, I think it ought to carry with it a declaration from the Council as to the reasons why the industry feels that this Division should be continued.

Mr. Majewski: I do not object to that at all, but I thought in empowering you, you having already had the foresight, in just one instance I might cite, you already having sent Mr. Pew a letter of appreciation for his services, I assumed that you would do that; but if Dr. Wilson would rather have the reasons set forth and then endorsed by this

Council in session today, I think that is a splendid idea, and if you will appoint such a committee and lead me off I would be in favor of Dr. Wilson's suggestion.

Mr. Jacobsen: Mr. Chairman, it might be well to refer to the letter you wrote and reenforce that statement.

Mr. Majewski: I was told about the letter.

Mr. Hallanan: Dr. Wilson, will you give some consideration during the day to the preparation of a declaration that we might incorporate?

Mr. Wilson: Possibly the endorsement of your letter would be a simple way to handle it.

Mr. Hallanan: I don't think my letter goes far enough. I think that the Council could express itself more freely than I would feel justified in doing as chairman without the sanction of the Council.

Mr. Ball.

Mr. Ball: I have now the figures with regard to the other bureaus in the Interior Department, as to the percentage cuts that they have received.

The Bureau of Land Management, so far their Washington office has fared less badly than almost anyone else, getting only a 11 percent cut, but the situation is such with respect to this activity that that will mean more than a 11 percent cut on the work of their Mineral Division, which is the division that passes on oil and gas leases. They are cut

37 percent in the field, in their field offices and their field organization, which, again, means impediments to the granting of leases.

Now, the Geological Survey, as I said the Geologic Branch didn't fare so badly; they got only a 15 percent cut, but Mineral Leasing got a 30.6 percent cut, and Land Classification, which is a part of the Mineral Leasing set-up, got a 49.5 percent cut.

You can imagine what that is going to do to the promptness with which oil and gas leases are issued on public lands.

The Bureau of Mines got cut 30 percent in their research activities and 37.5 percent in Petroleum Economics, which means that whereas, as you will hear from a report later today, a committee of this Council believes that the work of the Bureau of Mines, the statistical work of the Bureau of Mines should be extended and amplified, but on the contrary they are being cut 37.5 percent.

Now, as to this theory on which some of this is done, this is the language from the committee's report relating to the Oil & Gas Division, but I assume that it affects the other work we have been talking about. Here is the way the committee thinks that oil and gas work in the Government, that has any value to the industry, should be financed:

"The committee hopes that collections can be made from the oil and gas industry in the same manner that the Bituminous Coal Commission required payments from the coal industry for

services rendered to it."

In other words, the committee would go back to something of the type of the Guffey Coal Act, in which, in connection with a very complete Government control of the industry, they collected a tax, a tonnage tax, and used that to prepare statistics and information and render services to the industry.

Mr. Hallanan: Dr. Wilson, in connection with the letter to which Mr. Majewski and you have referred, I am convinced that the letter which I wrote was too little and too late. The matter was closed when that letter reached the committee. I was advised of that from responses that I had that the matter had been passed upon. So I feel that it was a perfectly futile thing, because the report had been made and the committee had acted upon it, and my own feeling is that the only possibility of our getting any change in the situation is on the other side, over before the Senate Appropriations Committee, because, obviously, they have a misconception of this Division and the purposes of it, and I don't think that in the snarl that they are in now over the appropriations bill that there would be very much opportunity to correct that in the House.

Mr. Jacobsen: Mr. Chairman --

Mr. Hallanan: Mr. Jacobsen.

Mr. Jacobsen: I take it, Mr. Chairman, it is the sense of the meeting that we should take a strong position on the

idea of getting ourselves into the position of the coal industry?

Mr. Hallanan: That is right.

Mr. Jacobsen: The very minute amount that we would have to pay in tax to get the Oil & Gas Division going, of course, is nothing, but it is a helluva precedence.

Mr. Hallanan: It would put the foot in the front door.

Mr. Majewski, you are a chairman of a special committee appointed to prepare a resolution in appreciation of Mr. Davies' services.

Will you present that resolution at this time?

Mr. Majewski: Mr. Chairman, the Council adopted a resolution of appreciation of the services rendered by Mr. Ralph K. Davies. We adopted that at the last meeting. At your direction a copy of the resolution has been fittingly inscribed on parchment, which I understand the Secretary will distribute to those who are here at sometime during the meeting, and to those who are absent he will mail it.

.... You also instructed the preparation of an illuminated resolution on a plaque which you intended to present to Mr. Davies today had he been present. We have been advised, as you know, that he is "free-enterprising" for the first time in behalf of himself and his lovely family, and this free-enterprise does keep a fellow away from gatherings such as this, and he will not be here today to accept from you, Mr.

Chairman, the illuminated plaque. I will defer reading the resolution because it has been done up so nicely at your direction and at the next meeting when Mr. Davies is here you will present it to him with the fitting accompaniment of words that you are so capable of expressing.

Mr. Hallanan: Mr. Majewski, you move the adoption of the resolution at this time?

Mr. Majewski: It has already been done, by rising vote, at the last meeting.

Mr. Hallanan: Mr. Bruce Brown, will you at this time present the report of your committee on military aircraft fuels productive capacity, or such preliminary report as you have?

Mr. Bruce K. Brown: Mr. Chairman, I filed the written report with the Secretary. It shouldn't take much time to explain because the committee is going to meet for the first time tomorrow, but I would like to describe what it is about.

The Air Forces, recognizing the inevitability of progress, not only in ordinary reciprocal engines for aircraft, but also in other types, are anxious to get up-to-date material on the availability of aircraft fuel, both gasoline and jet.

Before this Council was organized and before the O.G.D. was created, the Air Forces asked the Bureau of Mines to make an investigation and provided funds for them to do so. Subsequently, when the O.D.T. was organized, this committee was

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appointed. We are working with the Bureau of Mines and through the Bureau of Mines with the Air Forces, and we are also working with the Army-Navy Petroleum Board, and we have gotten data from the Government on which the committee can act.

Our purpose is to find out from those refiners who made aviation fuels during the war how much components they could make now. We will also inquire of the refiners that we know have installed other equipment since the war how much components they could make. The specifications of aviation fuels have increased since the war. No refiner has ever commercially manufactured the type the Air Forces now want. We intend to have the committee compute, from the report on components, how much aviation fuel can be made. At the same we make this inquiry of the manufacturers of aviation fuel for gasoline component, we will ask them how much jet fuel they can make.

On the basis of the specifications that the military forces are using now, jet fuel is everything almost, from kerosene through Diesel fuel, and that is the only basis on which we could operate a large fleet in wartime. We will ask the refiners how much of those materials they will be making. Then we will sit down with a group technologists and add up these numbers and see how we come out. Then, we will issue another inquiry to all refiners to find how much components

they can make for aviation and jet fuel and then will turn those numbers over to the Bureau of Mines.

The committee is a temporary committee, although the work is a continuing one. I imagine we will be active for the next twelve or thirteen months, with perhaps two or three meetings, and then we will have done all we can do for the Air Forces.

Mr. Hallanan: Are there any questions that the members of the Council would like to ask Mr. Brown in connection with this report?

Mr. Wilson: This report will be on the assumption that we rob civilian gasoline of all good constituents? In other words, it will be a maximum figure and they will understand that it would mean considerable disruption?

Mr. Brown: We will ask them what is the maximum amount you could make in an emergency, assuming that you had enough crew and the same general kind of crew you are running now. It is a practical question. We will add up the numbers. We will worry like we did the last time about how to fulfill the civilian economy. Right now, if we had another war, I am sure the Air Forces would run mainly on the type of engines they ran during the last war. In other words, the jet fuel requirement would be minor in comparison. But jet fuel engineers are developing engines so rapidly -- and the engines are so wasteful of fuel. For instance, the jet fueled fighter uses as much hydrocarbons as the B-29 did in the last war -- just a one-man

fighter. You get to the place where the military demand would be only one-fifth gasoline and four-fifths jet fuel. We are going to have to use as a jet fuel almost anything that will burn. One of our tasks is going to make everybody realize that we cannot have a fancy specification but we must use everything that there is.

Mr. Hallanan: Mr. Brown, you will have a report at a later meeting?

Mr. Brown: At the next Council meeting I hope we can give some facts on process.

Mr. Hallanan: Dr. Pogue, may I call on you at this time to present your report of the Statistical Advisory Committee?

Mr. Pogue: Mr. Chairman --

Mr. Hallanan: Copies of these reports have been available to the members and there are additional copies for distribution at this time.

Mr. Pogue: Are they available now?

Mr. Hallanan: They are being distributed.

Mr. Pogue: Mr. Chairman, gentlemen: The temporary Statistical Advisory Committee appointed at the last meeting of the Council met for three days in Washington in conference with Mr. Max Ball and his staff on March 3 to 5. Following that the committee arrived at a unanimous report which, after some discussion as to details, was submitted to the chairman and in turn, about a month ago, went to the members of the

committee, of the Council, so that everyone has had ample time, if he so desires, to study the report. Consequently, the chairman need not read the report but may perhaps discuss the highlights of it, particularly because the report and the assignment involved more questions of policy than, I fancy, the Council thought inherent in this problem at the time of the assignment.

Your committee wishes to testify to the interest and help of the Oil & Gas Division which provided us with a complete list and examples of the wide range of statistical data now being collected by Government agencies, trade associations, trade journals and other activities. In general, we feel that the oil industry is extraordinarily well equipped with statistical data for all the normal problems that arise. The gaps are minor.

At the outset of our work we ran into considerable confusion of thought or difference of opinion perhaps, on certain categories of data which I think should be if not cleared up in advance held clearly in min advance.

In the first place and primarily, we have a range of data which might be called supply and demand figures, the uses of which are obvious and widespread. They are essential for the conduct of the oil business intelligently and for the conduct of those agencies of the Government charged with specific duties as to operating problems. There is considerable differ-

ence of thought, however, between what many of us regard as statistics and another range of data which fall under the heading of engineering estimates. Those two types of figures are different in nature. Supply-demand data, stocks, shipments, inventories, and so forth, are factual. They are past facts which are collected by appropriate questionnaires and with minor margins of slight error are actual. Engineering data of the nature of reserve estimates, estimates of productivity, and so forth, costs, if you wish to go into those, are not facts, they are estimates with much wider margins of error, with a different utility.

Then, there is another difference between those data which serve a useful purpose by being collected and centralized and promulgated from a central point for the guidance of those interested, and a vast range of detail data equally important but limited in their usefulness to the operations of the various ramifications of the oil business in the field. Millions and millions of facts of this kind are used by individual operators but they would serve no useful purpose by being collected and centralized. It would be very costly to do so, and it would be unimportant if brought together. Then, in the next place, there is another broad and perhaps more fundamental differentiation between the data available and that which might be collected, divided in this way, and these are types of data that might be centralized.

First, those figures, most of which we are familiar with, which are useful for the guidance of the industry in its operations and for units in the industry for their individual planning and also of use to those agencies of the Government that have operating functions, and also of interest to the general public for its information. Then, there is another type of data, for the mostpart technical in character, very specialized in nature, which may be needed by the military authorities for purposes of national security.

That type of data for the mostpart has to be handled according to the opinions of your committee in a different manner. They are not suitable for general publication because, in many cases, they have the element of secrecy in them. They are constantly changing and, as I shall show in a moment, we think that they should be handled in a different manner.

Now, summarizing quickly, and bearing in mind those different categories that are all mixed up in the assignment that your committee was given, I shall touch upon, first, our suggestions or recommendations regarding domestic statistics suitable for or needed for the peacetime operations of the industry, reserving for last consideration military figures.

In the first place, as I have indicated, the industry is fortunate in having the fine set of data as is. We could get along pretty well without any additional figures and I think that the committee has been a little loath to suggest any

expansion in the work of gathering the figures, with one or two exceptions, because the committee was quite aware of the economy drive and the practical difficulties in doing things which ideally you might wish to do. Mr. Ball and his associates were especially interested in a certain type of figures which we would call engineering estimates. Much discussion was had on the question of reserves and produceability, a type of estimate which some members of the committee did not regard as appropriate to our inquiry but which seemed expedient to touch upon nevertheless, therefore avoiding that difference of opinion.

As to reserves, the committee felt that the improvements and advancements made in the work now being done by a Reserves Committee of the American Petroleum Institute and of the American Gas Association, especially as reflected in their last report where they deal with not only crude oil reserves as in the past but in those reserves of natural gasoline and of distillates, which are quite considerable, and also with the question of natural gas reserves. In view of those developments, the committee felt that this work on reserves was suitable for such purposes as the committee foresaw.

As to produceability, that is, there being some confusion as to what was meant by produceability or availability, whether it meant what we normally think of as maximum efficient rate, or whether it meant a combination of maximum efficient rate plus

transportation to markets, or whether, for purposes of establishing policy it meant not only the existing estimates as to one or two of those aspects, but also a forecast which would involve an estimate of future discoveries, we felt that one could go very far afield and that this whole field was one where the interpretation was perhaps more important than the basic figures and that in any event it was the recommendation of the committee that the Oil & Gas Division take steps to fill whatever it deemed its need to be in this respect, one, by encouraging agencies covering part of this field to enlarge their reporting, that is, the regulatory bodies, to gather a great deal of information, but the coverage is not complete by them because some of the States are not covered, and, two, by correlating the data supplied by the others and by filling in and encouraging others to fill in existing gaps, and by taking such additional steps as may be necessary to assure this coverage.

As to foreign statistics, there is one gap which many members of the committee felt should be filled, and that is simple supply and demand data on a monthly basis covering foreign operations, not by countries but by areas of the world. This would be an innovation, would have to be done by some agency of the Government, presumably the Bureau of Mines, and, of course, would come squarely up against their facilities and funds for this purpose. Some additional details along the same

line are covered in the report that I shall not touch upon.

Now, as to the improvement and simplification of the statistics that are now being gathered and disseminated two points might be made. One is that these figures, in many cases, are not prompt enough. That is a serious lack, because supply and demand figures lose much of their utility if they are delayed. Mr. Ball has investigated, through a letter which was sent to the chairman and it in turn to the members of our committee, he has investigated the time lag of the Bureau of Mines' monthly statement, which is the important single statistical report that industry gets. He finds that there are certain time lags on the part of the Government which he thinks can be corrected. He finds, however, that many of the refiners of the country take an unduly long time in filling in these questionnaires. If the laggard companies were as prompt as the prompt companies about three weeks might be saved. These reports now come out -- that is, the January report is just out. That is a lag of February, March -- that is a lag of over two months.

Your chairman urged the committee to take what steps it could, with its connections, to speed up the reporting by the industry, and one member of our committee, Mr. Floyd Bryant, suggests that it might be appropriate if the Council itself would write a letter to each refinery urging the importance of promptness in filling in these questionnaires in order to

more shorten the time lag.

The second point in improvement and simplification of the figures involves a continuing effort, and inasmuch as your committee is a temporary one and it is the policy of the Council not to have standing committees, but particularly inasmuch as statistical committee of the American Petroleum Institute and a Statistical Advisory Committee of the American Gas Association, composed of experts in those two particular fields on oil and gas, have been in existence for approximately a year, and each committee has already held a number of conferences with different bureaus of the Government in discussing the details of the questionnaires and how they may be simplified and how the presentation may be improved, it was the recommendation of your committee that the machinery is already set up for handling this aspect of the problem, it was functioning with experience, it was composed of excellent talent, and therefore it was our recommendation that these committees be encouraged to continue the work which is well under way, and they would bring to bear industry experience on the continuing details of improvement and simplification.

This, then, brings us to the final aspect of our report, namely, how best could be handled the very specialized data that might be needed by the military authorities for purposes of planning and anticipating problems of national defense. These requirements have a number of special qualifications.

First, they cannot be anticipated by the industry in advance because this is a continuing problem with changing circumstances. Two, they will vary with changes in the military studies. Three, these unpredictable requirements are not normally necessary or useful to peacetime economy and, four, for security reasons such data should not be published. The committee, therefore, realizing that a special industry committee, not a Council committee, is already in existence or in process of formation, and that such a committee under proper safeguards and with consent and approval of the military authorities, should be the proper agency for carrying on industry advice on a continuing basis to the military authorities. That is, we understand such a committee is in process. I am not certain whether it is actually functioning as yet, but, anyhow, it was the consensus of your committee that this would be the most effective way of handling this extra industry type of need.

In conclusion, I want to commend the work of the entire committee, it was a large one, 20 members; we put in a week's work in three days in Washington, practically every member attended and stayed throughout the sessions, and the two or three who were unable to attend sent deputy members. So that we had a very full and effective consideration of these problems.

Thank you.

Mr. Hallanan: Thank you, Mr. Pogue.

Mr. Ball, would you care to comment at this time on the report of this committee?

Mr. Ball: I think it is only fair to say that, first, that I agree very heartily with the last thing that Joe said, namely, that this committee did a real piece of work. They worked. They came here and they got on the job and worked -- and how. I think it is only fair to say, further, that the Oil & Gas Division is not in agreement with all of the conclusions of the committee. We are in agreement with a large part of them and in our discussions that we had here, of course, the points on which we disagreed were the ones that took up the time and got the attention, and, therefore, apparently led Mr. Pogue in his remarks to indicate that those were the ones that we considered of supreme importance. The ones we argued about we did consider highly important. We didn't consider them, though, however, more important than some of those about which we didn't have to argue, because we, and the committee, went along together.

There are just a very few things that I want to comment on. On the matter of reserves, I think perhaps the committee's report and Joe's remarks might lead someone to think that the Oil & Gas Division thought reserves figures should be gathered separate from and aside from those now prepared by the A.P.I. Quite the contrary. We are very happy with the A.P.I. figures, and at no time did we suggest or mean in any way to imply that

those figures should be supplanted or replaced, or that other reserves figures be obtained independently of those. Personally, I think the A.P.I. and the A.G.A., on their reserves, are doing a grand job.

The matter of availability did come in for a lot of discussion. I am not going to discuss it with you this morning. I am not going to tell you the reasons that it is essential that sooner or later we have availability figures and why I think that we have got to develop them in some way, different way than the committee suggests. I am beginning to have some ideas about how it can be done through cooperation with certain industry bodies, and I trust we can work it out.

Now, you notice with regard to the things which the committee did suggest -- and to me this is a little bit the disappointing aspect of the committee's report -- is that at no stage did the committee suggest any industry assistance in getting additional figures that are needed.

With regard to foreign supply and demand, with regard to inventory of foreign refining facilities, two very important things which the committee recommended be gathered. They merely recommended that a Government agency gather them. Now, the difficulty was then: Were the funds available to the Bureau of Mines and the other Government agencies? It was very difficult to see how the services could be expanded to include these functions, and, therefore, some industry help was almost essen-

tial. As things stand now, with the cut the Bureau of Mines has taken, that is, facing unless it is restored in the Senate, it is going to be impossible for them to continue the full service that they have been giving, let alone take on anything else. For that reason I think that any further consideration of this matter of statistics might well wait until we know how the appropriations are coming out and what the situation will be after the 1st of July, because then we have got our cloth to look at, to see what kind of a pattern we can cut out of it.

I want to say this: We are in complete accord and sympathy with the recommendations of the committee as to improvement and simplification. We had known there are a lot of things we don't know about in the oil business yet, and one of the things we hadn't known was the extremely valuable work that the A.P.I. and A.G.A. committees have been doing in cooperation and consultation with the Bureau of Mines in trying to arrive at means of improving and expediting the preparation of Government statistics, not only the Bureau of Mines but other Government agencies, and certainly the Oil & Gas Division has no desire either to replace those committees or to interfere in any way with their work. On the contrary, we shall be most happy to do anything we can to further the very valuable work that they are doing.

.. That, I think, in sum, is our reaction to the report of this committee. It contains a great deal of value. It

contains some few things with which we do not agree. It contains suggestions that in the light of present appropriation outlook can't be very well effectuated, and I think the best thing to do is just to let the situation stand until we do know the Bureau of Mines is going to be circumstanced after the 1st of July.

I may say with reference to the military side of the thing, we are in agreement with the committee that questions of purely military information should be handled by the military committee, which, you may remember, was discussed at the last meeting, that would be created by the Oil & Gas Division, and not a Council committee. That committee has been selected. It took quite a time to work out just the exact basis on which the committee should be selected and the way it should operate, and then the names of the committee were given to the military authorities, and the military authorities have not yet completed their investigation of the membership of the committee from the security angle.

Now, that doesn't mean at all that they think or we think that any of the 16 members we named to that committee are suspicious characters or will be found to be disloyal or will be found to be untrustworthy in any sense. It merely means that these mills of military and naval intelligence are big mills which grind exceedingly slowly that doesn't mean that they are going to grind the members up exceedingly fine. We feel there

will be clearance on those things within the near future, and then as soon as the prospective members have been communicated with and their consents to act have been obtained, the membership committee will be announced.

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Mr. Hallanan: I think it is fair, Mr. Ball, to say that the Committee at the time of its meeting had no knowledge or information that there would be any cut in the appropriation.

Mr. Ball: No; certainly not.

Mr. Hallanan: They were not prepared to anticipate in advance.

Gentlemen, this report has been in your hands for some weeks. You have heard the presentation by Dr. Pogue. What is your pleasure?

Mr. Holman: Move the adoption.

Mr. Majewski: Mr. Chairman --

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: I don't know whether this is the appropriate time or not. I want to move that we defer passing upon the motion just made. This isn't very clear to me. I mean, I don't know where they get the figures that the industry is supposed to have to function adequately in serving the public in the great area in which I happen to reside and engaged in business. My personal activity in the oil business is immaterial, but the industry does have the responsibility of supplying the demands of the public. It is not so doing.

I would like to ask Mr. Pogue where I could find, in all of this great wealth of statistics, the availability of crude and natural gas to take care of the demands for gasoline, distillates, diesel fuels, and residual fuels in the great

Middle Western section of this country. Where would the industry find that? Where could the public, to whom we are now rationing heating oil, find it? Could you tell me, Joe?

Mr. Pogue: I don't think the figures will answer that question.

Mr. Majewski: What good are they, then?

Mr. Pogue: Well, I wouldn't even make a plea for figures. I think the answer to that question is the system of competitive effort and the law of supply and demand under which we operate. What you want to know is our futures, and those are fallable. They involve estimates.

I think, though, that the figures we have give a record up to date on it. But I don't think the futures can be worked out by statistical methods, in view of giving the answers. Personally, I am not bothered by this shortage that you specify because the only thing we can do about it is to meet it by competitive methods or else have a planned economy, which probably wouldn't meet it as well.

There again we come to the limitations of statistics, factual statistics, that they only run up to the present or as close to the present as our reporting will permit; that is, within a few weeks of the present, and everything beyond that is a question of estimating and personal opinion and informed opinion, and those functions are just as apt to be wrong as be right. I have no great confidence, after 25 years of experience

in this sort of thing, in our ability to plan supply and demand. In fact, my whole philosophy goes against doing that.

So I think it is a two-edged sword. I don't think your problem can be answered by facts, because we don't know, and can't know, what the future facts are. Moreover, it is not necessary to know. Our system will take care of that, and we will either have too much or too little, and the law of supply and demand and price fluctuations are the best answer to it.

Mr. Majewski: Mr. Chairman, I am afraid I will have to move to defer the approval of this report, then, until the Agenda Committee makes its report on a very important subject. Joe had a hell of a time, in my opinion, answering my question. He didn't answer it. He ducked it.

Now, I say this, with the greatest amount of diffidence to Joe, because he is a statistician, but, hell, he is no peddler, he doesn't meet the public like I do. I couldn't tell a fellow that has got an oil burner, or a fellow that is going to put in a diesel locomotive, that the competitive forces are going to take care of him. He will say, "Nuts, Barney, I have to run this train to the Coast next week and I can't do it on that boll."

I wonder if we have got the guts to face the issue. The issue is that we are telling people who have oil burners that the oil industry is no longer able to take care of them. I have heard alternatives such as why not put in full-page ads

and tell them why you can't do that. After bragging that we can. We were all right until now -- when we had availability of crude oil, a backlog of crude oil; we had availability of refining capacity; we had a surplus of transportation facilities. But today we have none of those. What are we going to do with statistics and facts in regard to the public? Tell them that bunk you just handed me, Joe? No, sir; I won't do that. I think that the public is going to ask that somebody give them figures, and they are going to ask the Government, if we fail to execute our responsibility.

I would like to defer action on this report until we hear what the Agenda Committee has done with the pressing question that is before the Council, supplying the demand to the American people for products, and not temporarily, that you don't think so much about, Joe, but for the next 20 to 24 months.

We can't sit on our tails and tell them "Wait for 24 months before you begin operating that diesel engine."

I would like to move deferment of consideration of the report until we hear from George Hill's Agenda Committee.

Mr. Hallanan: Mr. Holman, do you have any objection?

Mr. Holman: No objection.

Mr. Hallanan: If there is no objection, we will withhold action on Mr. Holman's motion for the adoption of the report until later on in the meeting.

Mr. Dow, as chairman of the committee on Petroleum Rail

Transportation, will you present to the Council your report.

This report has also been made available to the members, and copies will also be distributed at this time.

Mr. Dow: The members of the Council have all received copies of this report. It seems wholly unnecessary for me to read it.

Mr. Hallanan: I think you might give us the essentials of it.

Mr. Dow: Yes. I shall report the highlights.

I want to assure George Hill before I proceed that this is a strictly legal report, and that we have followed his advice by excluding from our conferences all the pipeliners and the tank truckers and the bargers, and others, so that this report not only deals strictly with the tank car situation, but it is very closely factual and I am sure that it will have George's approval. It may lack in importance, but I think we have kept within the law.

Very briefly, tank car loadings within the last five months have exceeded the loadings a year ago by percentages ranging from 13 to 20 percent. There is a current shortage of some 7,500 ordinary tank cars, some 6,000 tank cars have been dismantled in the last two years, and we refer in the report to the situation with reference to cars for liquified petroleum gas. This Committee has a special report on that. We give the substance of that report here, as well as our own study.

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On page 2, paragraph 5, we have something which is perhaps new to you, and I would like to read that:

"The governmental procedure under which steel for car building is being handled at the present time is as follows: There is a joint conference under the jurisdiction of O.D.T." --

Mr. Chairman, this is page 2, paragraph 5. Acting for the Committee, without having consulted the Committee, I would like to change the word "jurisdiction," because the O.D.T. has none, strictly, and say "with O.D.T. acting as adviser, representatives of railroads, steel companies, and the car manufacturers confer about the allocation of steel," which is the one problem in the whole situation, as far as tank cars are concerned. We have the orders. We have the shops. We do not have the steel.

"Requirements for freight cars of all kinds are considered. The probable available steel for 1947 has been estimated and tank cars have been given a quota. The steel made available for tank cars is wholly insufficient in this year even to complete the construction of LPG chlorine and sulphuric acid cars now on order. The Committee believes that the petroleum industry should have effective representation in making its requirements for tank cars of all types known to the proper authorities, including the Joint Conference referred to above, and recommends

that O.G.D. take the responsibility for implementing these representations."

The report then goes on to state the requirements, steel requirements, for ordinary maintenance. It comments on the fact that many of our tank cars should be retired as rapidly as possible. Then there is a paragraph on car availability, and by that we mean to say that the supply of tank cars is greatly affected by the activities of shippers and consignees, and also the railroads.

You remember that during the war we loaded those tank cars 24 hours a day, seven days a week. Now, the 40-hour week has certainly contributed to idle cars today and the Committee points out that the railroad turn-around time has increased, there has been a loss, perhaps inevitable, of railroad operating efficiency, which, however, is, the Committee tells me, is being improved, but it is perfectly obvious that if you have 110,000 tank cars in operation, and you improve the turn-around time by 10 percent, that the equivalent of adding 11,000 cars to the fleet is accomplished without building new ones.

That factor is very definitely in the situation.

Now, with respect to the emergency aspects, what we say, very briefly, is this: The Committee is not prepared to report findings of fact on the many phases which should be dealt with if the report is to be more than a very general review of the experience with tank car transportation in World War II.

Further:

"It may be said at this time, however, that contrary to impressions that prevailed in the pre-war period as to the relative efficiency of the rail movement of petroleum, the experience of the war proved that transportation by tank car was indispensable both to the war effort and to the functioning of the domestic economy. Without attempting to foresee conditions that would confront the country in a future national emergency, the Committee feels that the railroads would be called upon again to move a very substantial volume of petroleum."

The action which the Committee feels is the only action which can help the situation is the allocation of steel, first for the LPG cars, and I might say as to that that we have a current shortage of twenty-three or twenty-four hundred. We have an allocation of steel which, for the last three months of this year, will permit the building of 100 cars a month. So that we face next winter a shortage of the order of 1,700 or 1,800 LPG cars, which we can find no way of doing anything about unless more steel can be allocated to the building of tank cars.

Then we say:

"The foregoing action would obviously not meet the full requirements of a national defense program. The Committee is not in position to

estimate those requirements without taking into account the projected developments of petroleum transportation by water, pipeline, and tank truck which, in accordance with the prescribed procedure, your Committee has not considered. There are conceivable conditions involved in national defense which, if added to the requirements of the domestic economy, would make available a petroleum tank car fleet of 150,000 serviceable cars, a number substantially in excess of peace-time requirements. As to this, however, the Committee is not in a position to express an informed opinion without consideration of facts involved in the other means of petroleum transportation."

Mr. Hallanan: Thank you, Mr. Dow.

Mr. Ball, would you care to comment?

Mr. Ball: No. I think it is a very excellent report.

Mr. Hallanan: Any questions?

Mr. Wilson: Mr. Chairman, I didn't get one point made by Mr. Dow.

Did you say that 11,000 effective cars would be added, and was that a six-day-week or a seven-day week?

Mr. Dow: That is based on your turn-around alone.

Mr. Wilson: Based on getting to war-time turn-around, which is partly effected by the six-day week on the part of the shipper, and partly by the railroads?

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Mr. Dow: That is right, but we could add at least five or six thousand tank cars overnight, based on railroad performance, and improve the performance alone. We talked to railroad executives about that and it runs through the whole economy, perhaps. It is a matter, frankly, of labor productivity. They feel that it is improving, that they will get it in hand as time goes on, but there was a let-down following the war.

Mr. Wilson: If this report is going to be made public, it would be a good deal more useful for general consideration if you said what you meant by class 100 free tank cars, and things of that kind, which we know about, but if it is going out for the general public it should be clarified.

Mr. Dow: That would be easily done.

Mr. Hallanan: Mr. Ball wants to make some comment with respect to that.

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Mr. Ball: As I said, I think this is a very excellent report within the limitations of the fact to which the report refers itself, that it had to be made without correlation with other forms of transportation, which, of course, is a handicap which will affect all of these transportation reports.

The report contains a recommendation that the industry should have effective recommendation in making its requirements for tank cars, of all types, known to proper authorities, including the Joint Conference described, and recommends that the O.G.D. take the responsibility for implementing these recom-

mendations.

I think it would add greatly to the efficiency of O.G.D. in that respect if there were a council committee to aid us in making those recommendations, and because this came in as a recommendation of a committee of the Council it didn't occur to us that we should formally approve it for consideration of the Agenda Committee, and I think it has not been considered by the Agenda Committee, but I think it would be desirable to have the Council appoint a committee to work with us on making recommendations as to availability of steel for tank car construction to the proper authorities.

Mr. Dow: Mr. Chairman, I think I should add that since the close of the war Colonel Johnson of O.D.T. has availed himself of the almost continuous service of Mr. Howard of Sun Oil Company. They have urged the requirements of steel for tank cars. I wanted to be sure that Mr. Howard and his assistants had the backing of a committee that O.G.D. might set up to furnish the facts continuously with regard to the tank car requirements because, after all, when these three groups are conferring, it is important, I think, that Mr. Howard be supported.

Mr. Hallanan: The question is on the adoption of the report of Mr. Dow's Committee.

(The adoption of the report was moved.)

Mr. Hallanan: Is there a second?

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(The motion was seconded.)

Mr. Hallanan: All in favor of the adoption of the report just read will indicate by saying aye; contrary, no; so ordered.

We now have the report, gentlemen, of the Committee on Petroleum Truck Transportation, of which Mr. Lee R. Cowles is the chairman. As the report was not received in time to make it available to the members of the Council prior to this meeting they do not have it. However, I am going to ask the secretary to have copies distributed and also to read it so that we may have it before us for action today, and for any further discussion.

Mr. Brown (Reading): "Report of the Committee on Petroleum Truck Transportation of the National Petroleum Council, April 3, 1947.

"The Petroleum Truck Transportation Committee appointed by the National Petroleum Council to study the adequacy of the petroleum truck transportation facilities to meet the national defense, or other emergency, met in Chicago April 3, 1947. Eight of the twelve members were present and participated in the discussions.

"The Committee submits the following report:

"At the close of World War II the petroleum industry, and that branch of the for-hire trucking industry serving the petroleum industry, owned and operated approximately 105,000

tank trucks and tank trailers of all sizes and types. In addition to the tank trucks and tank trailers, the petroleum industry owned and operated approximately 17,700 conventional type trucks. Inasmuch as these last mentioned trucks do not differ in body type and construction in any substantial degree from the many thousands of trucks operated in other industries and by highway carriers of general freight (package goods and so-called dry freight) and can, therefore, be substituted one for the other, the Committee feels that no appraisal at this time of this type of transportation is necessary. The Committee therefore has confined itself to the study of the adequacy of petroleum tank truck and tank trailer transportation facilities.

"Of the 105,000 tank trucks and tank trailers, the vast majority were small in capacity, and their use was restricted to purely local and rural distribution. Over 50,000 (chiefly small trucks) of the 105,000 were owned by companies or individuals who operated only one or two trucks each. The balance were in fleets of three or more units.

"Believing that any national emergency would throw the principal burden on the larger trucks, the Committee further restricts this report to the tank trucks and tank trailers of 2,000 gallons capacity and over.

"At the outset of the war the Office of Defense Transportation, after consultation with the petroleum industry, arrived at 2,000 gallons capacity as the line of demarcation between tank

trucks and tank trailers used in purely local distribution and those used in over-the-road or bulk transportation. In view of the fact that the Committee is relying upon the official O.D.T. records compiled from information shown on the certificates of war necessity, required for each truck at that time, in determining the adequacy of present facilities, the Committee also has used 2,000 gallons as the minimum size of unit which would be useful in moving a large quantity of product over a reasonable distance.

"Average gallonage capacity of this type of unit in each P.A.W. district was: District 1 - 3,320; District 2 - 3,590; District 3 - 3,421; District 4 - 3,430; District 5 - 4,630.

"An analysis of the total tank truck and tank trailer census (O.D.T. 1944) indicates that approximately 18,417 were large capacity units ranging in size from 2,000 gallons to combination units of 8,000 gallons capacity. The total carrying capacity of these units was 67,767,364 gallons. (Note 1)

"A survey of the ownership of these trucks and trailers shows that 49.6 percent were owned by the oil industry (private carriers) and 50.4 percent were owned by for-hire carriers. Because of slightly larger average capacity of the units operated by the for-hire carriers, the total carrying capacity is divided, 43.3 percent for private carriers and 56.7 percent for for-hire carriers.

"From a spot check necessitated by the limited time

allowed, the Committee finds that the for-hire carriers had, as of January 1, 1947, increased their capacity approximately 16 percent over 1944; and that the private carriers had increased their capacity approximately 31 percent over 1944. This indicates that the total capacity as of January 1, 1947, was 83,019,710 gallons, an increase of 22.5 percent.

"Estimates on further changes in the fleet capacity show that the private carriers expect a 67 percent increase over January 1, 1945, during the next three years; and that the for-hire carriers anticipate an increase of 26.6 percent for the same period. If these estimates are borne out, the total tank truck carrying capacity by 1950 should be approximately 97,697,545 gallons, an increase of 44 percent over January 1, 1945.

"The estimated increase appears to be fairly general throughout the country, with a slightly larger increase on the Eastern Seaboard, and a smaller increase in the West Coast area.

"When considering the total carrying capacity of the tank trucks and tank trailers with other forms of petroleum transportation, it is vital that full consideration be given to the turnaround time of each mode of transportation.

"In making this report, the Committee wishes to point out that this particular time is a difficult period in which to measure accurately the adequacy of the present facilities. The private carriers and the for-hire carriers are still suffering from the impact of the past war.

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"Each is going through an extensive replacement program. This program is handicapped by existing delays in securing new trucks and trailers, and a heavy demand for transportation service. Many units already past the retirement age are being kept in service to meet this demand, and others are being used in dual service, that is operating in over-the-road service during one part of the day and in local distribution during another part of the day.

"(Note 1) Office of Defense Transportation 'Review of Highway Transport and Transit Industries During the War,' published November 30, 1945.

"Sufficient replacements have been made, however, to show a marked trend toward larger units. The extent of the trend to larger equipment is influenced considerably by varying State and city laws, regulations and ordinances restricting the type of trucks and carrying capacity; and by the size of storage facilities at receiving points.

"The adequacy of the present petroleum truck facilities, or the facilities that we might safely expect to have in the foreseeable future, to meet the national defense or other emergencies, can best be measured by the pattern set during the past war. Tank trucks and trailers, both private and for-hire, of the larger size discussed in the principal portion of this report, increased their deliveries from a pre-war level of 25,000,000 gallons per day to over 128,000,000 gallons per day

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through cooperation between Government, carriers, and shippers, and without any appreciable increase in the total number of units. It is the opinion of the Committee that the nation's tank truckers could have attained the increased volume earlier in the war, if they had not had to overcome the various State barriers, such as different laws and regulations governing length, weight, and sizes of vehicles, and lack of full reciprocity on licenses and calibrations.

"While the traffic load of tank trucks has not receded to pre-war levels, it is believed that, given a sufficient supply of rubber, replacement trucks, trailers, and parts; along with the added experience of present operators, the decided growth in the size of the individual operator, the greater number of truck loading and unloading facilities, and the more clearly defined pattern of truck operations a similar increase in volume could be moved with existing facilities.

"Respectfully submitted,

"Lee R. Cowles, Chairman, Committee on Petroleum Truck
14 Transportation of the National Petroleum Council."

Mr. Hallanan: Mr. Ball, do you have any comment?

Mr. Ball: Nothing beyond saying that I think this is an excellent report.

Mr. Hallanan: Any discussion of the report?

Mr. Wilson: Mr. Chairman --

Mr. Hallanan: Mr. Wilson.

Mr. Wilson: I wonder if any member could say whether the increase in capacity is net; that is, allowing for trucks that are going to be laid off, or that pass out of the picture; and, secondly, whether they know whether the similar increase in volume refers to an expansion by ratio, or whether it is simply the expansion of 100,000 gallons per day that is referred to.

I suppose they aren't estimating too accurately, but it would make a good deal of difference whether they were talking about the same percentage increase or the same volume increase.

Mr. Hallanan: I don't think there is any member of the Committee here -- no member of the Committee who is a member of the Council.

May we have a motion for the adoption of the report?

(It was moved and seconded that the report be adopted.)

Mr. Hallanan: All in favor indicate by saying "aye"; contrary "no." So ordered.

I should like now to call on Mr. George Hill, as chairman of the Agenda Committee, to present his report.

Mr. Hill: Mr. Chairman --

Mr. Hallanan: Mr. Hill.

Mr. Hill: The Agenda Committee, due to the recent illness of Max Ball, the Director of the Oil & Gas Division, did not receive certain submissions that the Oil & Gas Division desired to submit until last Friday in Houston. There were certain

other submissions made by members of the Council, copies of which we received last Friday in Houston and one in Washington yesterday. The full membership of the Committee did not receive the submissions until yesterday.

Yesterday the Committee met at 10 o'clock, and had with it certain other members of the Council, and during its session throughout the day had with it a committee headed by Mr. Majewski, and also had the benefit of the collaboration of Mr. Ball and Mr. Friedman. The Committee adjourned at 12:30 this morning, right after midnight, and resumed again at 9 o'clock this morning. I feel that the Committee had a very profitable session, that it benefited by the discussions on the various matters pending, which are covered in this report. We were aided very much by Mr. Majewski's committee and also by the members of the Oil & Gas Division. I am hopeful that the report will meet the approval of all concerned.

(Reading):

"Your Committee has consulted at length with those of its members who were available in the short time at hand; with officials of the Oil and Gas Division; and with other members of the Council concerning the problems submitted to or approved by the Director of the Oil and Gas Division. It must be realized that certain types of planning and concerted industry action are not only contrary to law but also contrary to the American system of a competitive economy which has made the oil industry in this

country. On the other hand, your Committee believes that studies of the present factual situation in the industry plus projects authorized for construction by various units in the industry and the difficulties with respect to materials which the industry is encountering might be of value in the present situation.

"Therefore, your Committee recommends:

"1. A Committee of the Council should be appointed to ascertain the facts and report to the Council the current production of crude oil, distillates and other petroleum products and the amount thereof available consistent with the principle of maximum efficient recovery as may be presently determined from the records of the State Regulatory Authorities and from other available sources, including the Interstate Oil Compact Commission.

"2. A Committee of the Council should be appointed to ascertain the facts and report to the Council the overall facilities available for transportation of crude oil and petroleum products.

"It is believed that a Transportation Committee to coordinate the separate findings of the studies now in progress by transportation committees appointed at the last meeting can most expeditiously accomplish this purpose.

"3. A Committee of the Council should be appointed to ascertain the facts and report to the Council the refining

capacity located in the Continental United States.

"It is recommended that each of the foregoing committees include in their factual reports not only the status of facilities now in existence but also the facts in relation to projects now under construction and projects officially announced for early construction by various units in the industry that have been definitely determined upon.

"4. A Committee of the Council should be appointed to ascertain the facts and report to the Council on existing steel shortages for casing, line pipe, compressors, refinery equipment and other oil industry equipment and supplies; the probable quantity of such deficiency; and the duration of such shortage.

"It is believed that the Materials Committee heretofore appointed by the Council may be advantageously reactivated for the expeditious discharge of this assignment.

"5. A Committee of the Council should be appointed to ascertain the facts and report to the Council the requirements of the armed forces and other government agencies and to make such recommendations, not involving plans, programs or allocations as may appear helpful in having such requirements duly met."

Gentlemen, I believe that this represents the proper safeguards surrounding factual studies which, if carried out, will enable the Oil & Gas Divisions, as a staff organization, to interpret those factual studies and put it in a position to

advise the other Government agencies having reliance upon its advice and guidance and supply of factual information.

I also believe that it will supply the necessary information upon which reasonable deductions may be drawn, that will enable Mr. Majewski, and others having the problem both of meeting market conditions and also carrying on endeavors in the field of public relations, to proceed, problems that were particularly troublesome as represented by those who appeared before the Agenda Committee.

Mr. Hallanan: You have heard the report of Mr. Hill as chairman of the Agenda Committee. Are there any remarks?

Mr. Dow: I wonder if Mr. Hill could not act for his Committee in adding the words after "refinery equipment," paragraph 4, page 2, "rail and highway transportation equipment." I suggest that, George, for this reason --

Mr. Hill: I think I can accept that, Mr. Dow. I am grateful that you made the suggestion.

Mr. Dow: I think it would make the highway and rail transporters feel better if they weren't relegated merely to that phrase in there.

Mr. Hill: If no one has objection, we will regard that as being submitted in the report.

Mr. Hallanan: In what section is that, Mr. Dow?

Mr. Dow: Paragraph 4, after the words "refinery equipment," in the fourth line, add "rail and highway transportation

equipment."

Mr. Hallanan: Is there any objection on the part of any member of the Agenda Committee?

Mr. Hill: I can speak for the Committee, I think, and say that it is accepted.

Mr. Duke: Mr. Hill, the question of shortage of steel for mileage facilities, you asked a question on that yesterday, and I made the suggestion that I didn't believe there is any, and I wondered if there was any comment on that point.

And, George, there is one typographical error, which is not too important, in the sixth line, the top paragraph, page 2.

Mr. Hill: Will you say what it is?

Mr. Duke: The word "units" is spelled u-n-i-t-e-s.

Mr. Hill: We will have the report corrected in that regard.

Mr. Chairman, I move the adoption of the report.

Mr. H. J. Porter: Mr. Hill, in connection with the recommendation, did your Committee discuss the proposition of this Council naming a supply and demand committee?

Mr. Hill: Yes. We decided that the Bureau of Mines' report, just out, and the Economic Advisory Committee of the Interstate Oil Compact Commission, is meeting today or tomorrow, and will complete its work this week, and we feel that the Oil & Gas Division can safely rely upon that composite report for their supply and demand figures, and particularly if as planned

Mr. Ball, as head of the Oil & Gas Division, will contact Mr. Hiram Dow, as chairman of the Interstate Oil Compact Commission, and request his Economic Advisory Committee to break down their figures, if possible, on the basis of P.A.W. districts, as well as the over-all figure.

Now, I may be speaking out of turn, but I think everybody who is present is willing for me to reveal the fact that was considerably discussed, and that was the solution that we felt would meet that situation without setting up some new supply and demand study group.

Mr. Porter: The intention of your Committee is that this Committee will only make one report? It will not be a continuing operation of that Committee?

Mr. Hill: Which committee is that now?

Mr. Porter: On production.

Mr. Hill: On production?

Mr. Porter: Yes.

Mr. Hill: Yes, and in that connection we had this feeling, we had the benefit of the temporary statistical records committee report, which was read this morning, and we also had this belief, that in those States in which there are regulatory bodies, which comprises perhaps 80 percent of our reserves and 75 percent of our production, we have available figures resulting from studies of their engineering departments.

Furthermore, in various districts there have been studies

made by companies, by trade associations in the oil industry, and there can be, when sought by a committee upon a confidential basis, that type of information, a very good and a very quick approximation of what that figure is. And so we referred specifically to Railroad Commission regulatory body reports, and other available sources, thinking of presently available sources from those different categories of information.

Mr. Porter: As I understood you, that Committee will only make one report?

Mr. Hill: That is right.

Mr. Porter: Thank you.

Mr. Majewski: By that, you don't foreclose it coming up at some future time?

Mr. Hill: Of course, that doesn't cover the future.

Mr. Wilson: Mr. Chairman, I am not clear as to the meaning of the second sentence in paragraph 2, "It is believed that a Transportation Committee to coordinate the separate findings by transportation committees appointed can most accomplish that purpose."

The word "coordinate" can, of course, cover a multitude of sins. I can see you getting dangerously close to the type of thing we agreed last time should not be attempted. That is to say, what forms of transportation, how the forms should be fitted together, and all that. Aren't you going to have tankers and truckers and rail people all on that committee who will be

up against that same problem that we visualized before?

Mr. Hill: I think not, for this reason, Bob, and I am glad that you raised the point: In our thinking this is what our approach was. There have been made, and are now in progress, separate studies by the separate competitive types of oil transportation facilities. Now, then, just to put those factual studies in one report, giving the over-all available types of transportation facilities, it will not be a new study. It will be a statement that here are the total facilities that exist for the transportation of petroleum and its products. We express the negative, the idea of any concert in planning for joint use, or preferred use of one and deferred use of another, because of the inadequacy of the staff. The mere physical job of interpretation of facts and the assemblage of them without drawing conclusions as to their relative merits, of their uses, or continuing use, is not in the picture. It is to coordinate the facts and write into one report the facts.

Mr. Blaustein: These Committees, with the exception of the one dealing with requirements of the armed forces, are limited to ascertaining the facts and reporting, not making recommendations. I understand why that was excluded. But will these reports, of these committees, serve any real purpose in meeting the objective of the shortage of products, do you think?

Mr. Hallanan: That is what the Director has asked us to

do. In other words, this report of the Agenda Committee is based upon the request of the Oil & Gas Division that we make such factual findings and that can only be done through some committee research.

Mr. Blaustein: Did they go further and ask for recommendations?

Mr. Hallanan: Yes, they did.

Mr. Blaustein: I am wondering whether these committees will have sufficient authority to serve the ultimate purpose that we have in mind. I would like to get Mr. Ball's reaction to that, if I may, Mr. Chairman.

Mr. Ball: That question you have raised is a very important question. The Oil & Gas Division feels that this matter of shortage, which seems to be facing us, from the reports we get, and, mind you, we don't feel we are fully informed at all, that is why we are asking for advice and committee studies, if we knew all the answers we wouldn't have to ask the Council for things, but it is because we don't know that that we come to you to get your wisdom, but the reports that reach us indicate that there is going to be, this coming winter, a shortage in some parts of the country, and possibly in all, of all of the fluid fuels. You can just start with the lightest and work down.

By the way, we have asked to come here and report to you people from other Government agencies who can tell you more in detail about some aspects of these things.

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But there is unquestionably going to be this coming winter a shortage of gas supply comparable to that of the winter just passed because of the tank car situation it would now appear that LPG is going to be as critically short in supply as it was last winter, and those of us who sat here and took telephone pleas for LPG know how severe that was, and we have had it stated to us -- I don't know whether it is going to eventuate or not -- that even the industry's money crop of gasoline is going to be so short in parts of the country by fall that it will interfere with the fall planting.

As I say, I am reporting merely these things that have been told to us, and that we don't know the accuracy of. There have been installed, not counting replacements, 475,000 new oil burners in the year 1946, which means that at the present rate of installation there will be 3,412,000 oil burners in use by the end of this year, and it looks as though it is going to be at least nip and tuck, if not worse than that, as to whether the owners of that oil burners are going to be able to get burner fuel, and it also looks as though it is going to be at least nip and tuck whether these people that run dieselmotors and diesel engines, such as Barney talks about, and which can't run on the fuel he mentioned, are going to be able to get their supplies. How widespread these things will be, and how much it is going to "spot," and how general, we don't know. We wish we did.

Already there are shortages of residual fuels. So you start at the top with the gas and you come out at the bottom with residual fuel, and it looks as though, from other reports we get, that there are going to be at least local and possible general shortages of all forms of fluid fuels this coming winter.

Now, here is an industry which has always prided itself on supplying its markets, and which has built up, through its public relations aspect, the thought, and it has supplied its markets and met its needs so well, that the public just took it for granted, like the air they breathed, and if that situation is going to cease to exist and people can't buy the petroleum products, or the fluid fuels that we get, we are going to get the kind of reaction that you get when people are deprived of something which they have taken for granted.

Now, we are getting this kind of thing now, and have been for some time, pressure from over on the Hill, that such and such a refinery can't get crude. It may be that the refineries that can't get crude can't get it because they haven't been foresighted enough; maybe they are located in the wrong places; maybe, economically, they ought never to have been built. I don't know. But you see what the immediate reaction on the Hill is. Why shouldn't these people be allocated some crude.

We are beginning to get a little of what might get to be a big thing if we have too many people having to go without products. We have the dealer, who can't supply his customers with

burner fuel, who says, "This is all because the octopus won't let me have it, they are taking it all, and why can't there be some distribution so that I get my share for my customers."

Now, do you see the danger inherent in that? Heavens knows, gentlemen, if we ever go to allocation or distribution by government in peace-time this industry is just headed for government control, which is certainly a thing that we all abhor, even the thought of it.

Now, I hope conditions are not going to be as bad as these reports we get. I very much hope so. But as things stand, we are just not in position to answer the questions we get, and if the thing swells into a roar, and we get a lot of questions we are not fortified to answer, we will have that pressure.

Now, it seems to me that primarily it is an industry problem, not a government problem, and that the only function of government in it should be to remove any artificial implements that it may have put in the way here and there, wittingly or unwittingly, if they are pointed out. But, of course, when you get to solving it as an industry problem, you run right bang up against the question of what you can do without getting in trouble with the anti-trust laws. I mean, the industry can't take concerted action on these things without getting in trouble.

Now, that is why your Agenda Committee -- and I don't want to speak for them because they are perfectly capable of speaking

for themselves -- that is why they have felt that committees appointed to study these matters must confine themselves to factual studies and not make recommendations as to what can be done about the facts. We will be a long ways further if we have more facts than if we don't, and then maybe privately we can consult with individual members of the industry and get some industry advice as to whether there is a bottleneck here, or something wrong there.

We expect to have speak to you today a number of representatives of Government agencies which are either up against this problem or are officially cognizant of some phase of it. For instance, the Army-Navy Petroleum Board.

Mr. Hallanan: Mr. Ball, I think while we are on this matter, that we might as well call on those representatives at this time.

Mr. Ball: Yes.

Mr. Hallanan: When you finish.

Mr. Ball: Thank you very much.

The Army-Navy Petroleum Board, which is concerned because it cannot get the supplies it needs, which might mean the immobilization of part of the fleet and the hampering of operations of our armies of occupation, the Bureau of Supply of the Treasury, which purchases for the civilian agencies, tell us that in certain parts of the country they can't buy the necessary fuel for veterans hospitals, for instance. The Office of

Defense Transportation has a particular knowledge on one of the bottlenecks in this situation, namely, the tank car situation. There is a tanker problem involved in this thing. Apparently very definitely involved. Oil is going from our Gulf Coast to Great Britain in part, at least, because tankers are not available to bring oil to Great Britain from the Middle East.

So we have asked the Maritime Commission to talk to you about their problem this afternoon.

The gas situation in the Middle West affects this whole thing because it is just one more fuel that is short and throws more burden on burner fuel and other types of fluid fuels. So we have asked the Federal Trade Commission to tell you about that situation.

The ideal thing, from the standpoint of oil and gas, getting back to your question, the ideal thing, as we see it, would be for a committee on supply and demand of this Council to study the entire question and report (a) what the facts are; and (b) what best can be done about them. But the Agenda Committee, after much discussion and consideration, has felt that that would be a dangerous procedure, and that, therefore, the Council, at least at this stage, should confine itself to factual studies.

Now, we of the Oil & Gas Division, would like to have had a single committee with subcommittees studying these various phases so that there would be a single committee to bring them

together, but your Agenda Committee felt also that that might involve some danger, and that if we had these factual studies that then maybe the correlation could be done. We can't do it single-handed in the Oil & Gas Division, I tell you that, because not only are we very short handed now, but we are in the very difficult situation that we can't go out and employ anybody else because it wouldn't be fair to ask a man to come on here without knowing for sure whether he is going to have a job after the first of July. We will have to call on members of the industry as individuals if we can't refer the matter back to the council for further Council advice.

Does that answer the question?

Mr. Blastein: Yes.

Mr. Ball: Are there other questions that other people would like to ask me in the same general field before I call on some of these other Government agencies?

Mr. Vandever: Mr. Chairman --

Mr. Hallanan: Mr. Vandever.

Mr. Vandever: As a bureaucrat, there is no one that is more opposed to Government supervision or Government direction of industry than I am, but it seems to me, Max, that at the present time, with the exports of petroleum products that are going, let's say to Britain alone, due to the fact that there are no tankers to carry petroleum products from the Near East, or Afghanistan, where petroleum is not being produced due to

the fact that there is no transportation to move it to Britain, let me say that if I am informed correctly, our Navy has a great number of tankers that are idle, laying at anchor today. These tankers they refuse to sell -- for which I have no objection, certainly -- to Great Britain, but under God's name and the high heavens why can't the Government handle their own affairs with the Navy delivering products from points where petroleum products are not being produced at the maximum, and help our situation in this country.

The situation is, I think, much more serious in the Central West than the Oil & Gas Division realizes -- unless you have been in pretty close contact recently with the Agenda Committee and the rest of the petroleum industry. So it seems to me that instead of the Oil & Gas Division saying to industry, "Help yourselves," we can honestly say to you, Max, can't the Government put into action that equipment which is lying idle and help the Government to procure more products, because there will be more over here if we can take care of our outside commitments from other sources, and especially I refer also to the Lend-Lease which is going to Russia today. (Applause)

Mr. Ball: I am in entire agreement with Van that whatever action can be taken by the Government to remove bottlenecks and implement the situation should be taken.

Mr. Vandever: Might I suggest that if the situation that I have mentioned is a fact, that is one we might start on.

Mr. Ball: That is one we might very well start on, and I think perhaps we will clear up some of these things if we hear from the representatives of these other agencies, because I think that question you raised will come up, either in Captain Wilson's discussion, from the Army-Navy Petroleum Board, or in the report from the Maritime Commission.

Mr. Majewski: Mr. Chairman --

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: I would like to suggest that this supply situation for the Government is one that can be handled. This other, greater over-all picture of the adequate supply, discussion on it ought to be confined. I am not concerned too much about supply to the armed forces. As to purchases for Post Offices, and so forth, I have a solution for that, and I know something about that. If they would only drop that red tape method of purchasing they would have a lot more bidders than they now have. All they have to do in the Middle West is to buy on the same basis that any other consumer buys and they will get adequate supplies. But they have to file, a little fellow doesn't bid any more, he has to make out 17 copies of this form and that form to bid on 300 gallons for the Danville Post Office, for example. If you want to buy 300 gallons for the Danville Post Office, 40 guys will sell it to you tomorrow if you buy like everybody else.

I know you have appropriations governing you, but you have

been a preferred customer in the federal supply, and you can no longer, in a short situation, be a preferred customer, and I think that is the answer. I think we are dividing this conversation. We can take care of the Government. Let's find out whether we have got enough to take care of everybody.

Mr. Ball: We have got to consider both in the Oil & Gas Division. I think a representative of the Bureau of Federal Supply will speak to us presently, and you can ask him those questions.

19 Mr. Majewski: I wanted to get through with George's report. I hope everybody will stay, and that the top bracket people won't try to catch that 2 o'clock train for the big cities.

Mr. Ball: I hope not. These reports by other Government agencies bear on the Agenda Committee report, and, therefore, are part of the discussion of the Agenda Committee report and I think we might just as well start with them now.

Mr. Marshall: Mr. Chairman --

Mr. Hallanan: Mr. Marshall.

Mr. Marshall: I want to say, Mr. Chairman, I voted as a member of the Agenda Committee for this report. I think I am in the same position as other members of the Committee. We wouldn't want our votes construed as meaning that that was all that we thought this Council, or its committees, could do with respect to giving opinions or drawing inferences or making

conclusions from facts that might be gathered. George, I looked upon that as the minimum, in no sense the maximum.

As I have had contact with this industry, we have been making recommendations and expressing opinions to the Government, Max, frequently, as long as I have known anything about it, and I wouldn't want the other agencies of Government here to believe or to get the impression that we thought that all conclusions drawn from factual evidence, or that all recommendations were necessarily beyond the powers of the Council or the industry, or its trade associations.

Mr. Ball: I don't need to say, However, that we feel considerably that way ourselves. On the other hand, we don't feel that we should try in any way to coerce the Council or the industry into taking action that the Council feels might endanger itself. We feel that the Agenda Committee is perhaps unduly cautious, and that that probably is natural in the earlier stages of a new experiment. We learn as we go along. How far we can go we don't know. And we are going farther, on some things, today than we did last time. We will make progress as we go on.

Mr. Hallanan: Gentlemen, it is a quarter of one. The business before the Council at this time is the pending report of the Committee on Agenda. The motion has been made for the adoption of that report, and it has been seconded. Are you ready for the question?

(There was a call for the question.)

Mr. Majewski: Mr. Chairman --

Mr. Pogue: Mr. Chairman, may I say --

Mr. Majewski: I will yield, but I want to talk about this, and not for five minutes. I am for going out and eating.

Mr. Hallanan: Go ahead, Mr. Pogue.

Mr. Pogue: Mr. Chairman, Mr. Ball's remarks, and, in fact, the report of the Agenda Committee, are both very persuasive, so persuasive that I feel that we should consider this whole matter a little more carefully than we have and should take into consideration certain ultimate possibilities.

Everything that I have heard this morning and much that I have read recently, seem to me to be manifestations that normally come at the top of an inflationary boom. There is such a thing in economics as the business cycle, although we don't like to recognize it or to talk about it. I have the feeling that the recommendations of the Agenda Committee, desirable as they are in giving factual information regarding the past, and certainly information regarding the future, such as construction programs, dealing collectively with the data of supply but omitting purposely any consideration of demand, that this material is flirting very closely with an operating problem which, in my judgment, if it is that, is not appropriate for the industry to deal with collectively in a forum of this kind. They are quite appropriate for other agencies to deal with, for individual companies to deal with, or anyone else,

provided they are not collective.

Now, I have a strong suspicion, and I can't prove it, and I don't wish to assert it, that we are at or close to the top of an inflationary boom in the United States. Now, at least that alternative should be taken into consideration, because while it doesn't affect the supply factors which the Agenda Committee proposes to explore, it does affect the demand factors, which concern the future.

Now, I am as aware as anyone else of the tight situation in oil, the shortages, the spot shortages in many critical supplies. I am also aware of the breaking of many other bottlenecks in our economy. And I maintain that after you do these investigations and have a more systematic knowledge of the current supply factors, and certain of the prospective supply factors, you are still faced with the chances of a tremendous error on your demand forecast. These problems cannot be solved factually. After you get the facts, which are incomplete, you have to make conjectures.

The problems that lie ahead do not relate to this summer, particularly as I see it in oil, although there may be some difficulties of crude oil supply in the Middle West, but they relate to the prospective supply-demand situation next winter, particularly in respect to heating oils.

Now, we have heard a lot of these spot shortages. I suspect that while they exist the description of them that we

hear today puts a great emphasis on them. They doubtless do exist, but I would like to call attention to a few statistics that I got together hastily before leaving that at least are suggestive that the situation might be turning into a less tight situation than has been described over the last three weeks. Crude oil stocks in the United States have increased eight million barrels, or 380,000 barrels a day -- 280,000 barrels a day. Since noting this Friday I have seen in the papers that last week crude oil stocks increased something over one million barrels. The demand for gasoline, which has been going up sharply, flattened out over the past three weeks. Total requirements of petroleum products over the past two weeks have declined 400,000 barrels a day. Stocks of crude and products over the last three weeks increased seven million barrels, or 330,000 barrels a day.

I don't cite these as meaning anything in particular, but I merely call attention to them. I suspect that the chances are at least fifty-fifty that when we come to next winter, with the possible exception of heating oils, we may be worrying about a little too much supply and, I think this Council should seriously question whether we aren't acting on the basis of pressures emanating in our own minds from a peak situation. If that should be the case, then we would have taken an unwise act at this juncture.

I would like to see, and I have no objection to the maximum

of information, but I would like to see this matter deferred until the next meeting of the Council to see how we react in the light of the circumstances that are visible to us three months hence. There will be plenty of time, then, for next winter.

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: If there is all of this crude oil that Joe Pogue talks about, why aren't we running it? Why isn't he seeking more supplies? Why are the Government bureaus seeking more supplies? Why are the railroads worried about fuel for their transportation systems? Why are we shipping fuel oil, residual fuel oil, from Oklahoma to Buffalo, N. Y., to manufacture steel? Why are we doing these things if all of these products are there?

The steel people are still in the market to buy, for 90 days ahead, to buy that much ahead. I don't know too much about a depression, but I care less whether one will occur or not. I would rather have too much next winter than not enough, because for too much you cannot be condemned by the American people. For too little they can hang you.

Now, Ernest Thompson said at San Antonio before a meeting of Western Petroleum Refiners -- and I assume he is an authority, he comes from Texas; he is the head of the Railroad Commission -- and I didn't quite mean it that way -- he is chairman of the Railroad Commission, elected by the people of Texas; he

said to the refiners who were there pleading for crude, some fellows were talking about importing crude, if necessary, so Ernest got up, without any request, and he said that there was 372,000 barrels more crude oil available daily before they reached the MEX. I looked that up to see what it meant since. One hundred and fifty thousand was in the permanent basin. Two hundred and twenty-two thousand were scattered among 900 fields in Texas.

Now, if that crude oil is there why isn't it being produced? Someone will say we don't have the transportation. True. We don't have quite the economic transportation at the moment. It is abuilding.

I like what George said about this report, and I am going to accept his report for the first step, and before we adopt the Statistical Committee's report I want to accomplish the second step on supply and demand, and I think we can do it.

Now, Joe, you questioned the intelligence of small minds like mine, you impugn the integrity of small marketers and small people in the business. I say that if you develop the facts through this study that the Agenda Committee recommends the appointment of committees for, that we will have some facts that we have been seeking. I have talked to eight people from Texas, some top brass in the oil industry, and some minutia. They say that "Ernie Thompson is nuts," or they say -- and it is equally divided -- that he is usually right, but he doesn't

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always tell the facts. Now, that is a hell of a thing for me to tell the people, that Ernest Thompson doesn't know what he is talking about, or that he hides the facts. Texas, you know, is a part of the United States, and a very important source of supply of petroleum to the American people, all of the people. I have heard people say, "Let's keep it all in Texas." They couldn't do that. They would be in Government control.

Here is what we have got to deal with, men. Not theories or fear of going to jail. Fear of what the American people are going to ask Congress to do. I am not concerned about allocating crude oil to Joe Blow. I am not here pleading that cause. I am certainly not pleading the cause of my company, because I had a perfect understanding with the finest boss in the business that if he didn't like what I was going to say here -- and he didn't know what I was going to say -- he could fire me. Now, I would like to have you adopt George's report, the Agenda Committee's report, as the first phase, and then I would like to have a supply and demand picture prepared. If Joe Blow's committee doesn't feel they ought to do it, that we get this Economic Advisory Committee, that seems to me like a good avenue, of the Interstate Oil Compact Commission. Do they make forecasts of the supply and demand?

Mr. Pogue: Yes. They are making one this week.

Mr. Majewski: Most of those fellows work for the big companies, don't they? Just an inquiry. Why don't we ask the

Interstate Oil Compact Commission to give it to us quarterly?

Mr. Pogue: They have been doing that.

Mr. Majewski: They have been doing it, but it has been hidden in a little pamphlet that only a few economists see.

Mr. Pogue: No, no.

Mr. Majewski: Not a Chicago newspaper knows that there is an Interstate Oil Compact Commission.

Mr. Pogue: You can remedy that.

Mr. Majewski: And we have some of the best there. The world's greatest -- Colonel McCormack says.

If this Interstate Oil Compact Commission has this Economic Advisory Committee, and it produces the supply and demand figures, would it be illegal for this Council to discuss them? I want to go further than just publishing. Would it be illegal to discuss what somebody else prepared, as to the adequacy of them? I know you are recommending that we break it down by five P.A.W. districts and into four major products. I would like to break it down further, as the Committee recommends -- diesels, heating oils, residual fuel oils. Could we discuss that report here, as to its adequacy? Could we?

Mr. Hill: Barney, I have never seen you fail to discuss anything you wanted to discuss.

Mr. Majewski: I have seen you gentlemen close up like clams on me, too. I am wondering if you are going to discuss that Economic Advisory Committee report, of the Interstate Oil

Compact Committee, on supply and demand, at these meetings.

Mr. Jacobsen: Mr. Chairman, I am not a lawyer, but as I understand it the trouble with the anti-trust laws is not discussing a certain thing but is the concerted action that might follow the discussion.

Mr. Pogue: That is right.

Mr. Hill: I can't answer that, but I would say we ought to discuss one thing at a time, and I would rather take that up after the report comes in and get this Agenda report out of the way.

Mr. Majewski: I will take that. I said I was for your report. When you consider this shortage, the steel shortage, and so forth, are you going to find out what is going to Russia and why? Are you going to find out why we have to ship pipe and drill casing to Saudi Arabia and Iran and Iraq and Ethiopia?

Mr. Hallanan: If you will refer to the Materials Committee Report of the last meeting you will find reference to that very subject.

Mr. Majewski: Are you going to ascertain the facts and report to the Council on the existing steel shortage? The reason we are domestically short is because we have been thrown into a foreign export demand picture that is terrific. I am wondering if we are going to delve into that a little bit. I would like to. I am a believer in taking care of the United States first.

Mr. Hallanan: We already have delved into that.

Mr. Majewski: And have you got the answer?

Mr. Hallanan: No; we have the facts, though. You referred to the report of the Material and Supplies Committee of the January 21 meeting, and it is very extensively dealt with in that report.

Mr. Majewski: I have read the report and I didn't find a bit of information as to what was going to Russia, what was going to Saudi Arabia and of what kind of material. I really didn't think that was in there. It made reference to the fact that some was going.

Mr. Hallanan: That is right.

Mr. Majewski: But I am interested in knowing how much, and of what kind, whether we should have that here first, or should it go to Saudi Arabia, and so forth.

Someone will say, "Let the people in Wisconsin burn wood, they have a lot of cord wood, let them burn it for heat." Well, you know, the people of Wisconsin have also increased their standard of living. They no longer want to cut cord wood and burn it. They want to burn oil like the people in the -- I always mispronounced this word purposely -- like the people in the effete East. We think our standard of living, with the 4-H Clubs, and things like that, we think we have increased our standard of living.

We want to burn oil out there, too. And even the colored

people in the small outlands of our area want to burn oil. Somebody said they couldn't. Hell, they shouldn't live in our towns, but they are there, and they ought to burn oil.

Might we say this, George, that we accept your report. I want a copy of the letter which I wrote to Max Ball to be made a part of it, but I want to make three corrections in the letter. I used the words, inadvisedly, "night lifing." I don't want to use "adequacy of domestic crude oil." I want to say "availability." I want to change both words, and make that a part of the record.

Mr. Hallanan: It is a part of the record.

Mr. Majewski: Is it?

Mr. Hallanan: But you can revise.

Mr. Majewski: I would like to do that.

Now, with that in mind I think we could, or with the consent of our Committee, we are all here, we could tell you a lot about this situation. This is not a hypothetical shortage. My friend Dr. Wilson's people won't take another customer for heating oil. I won't, either. Nobody else wants another customer for heating oil. Nobody else wants another order for diesel oil. We can't supply it. Where have we gone? We have gone to the Gulf Coast for the oil. We are bidding up the market -- and I am always for bidding up a market wherever it is in the United States. They ought to cut the appropriation of this anti-trust division, like they do with the Oil & Gas

Division, and a guy could talk more freely. But we are down on the Gulf Coast getting a supply for the Middle Western portion of the United States. Do you think the people in New England are going to feel that next year? I think so. If you think gasoline is in plentiful supply, find anybody that wants another gasoline consuming economy in the Middle West.

It is no joke that unless you do something about it now you won't have enough material to go on the farms to do the fall plowing, and to do just a little planting. In the fall we plant wheat primarily, but we do a lot of plowing and getting the soil ready for the next year. Now, you can't duck this thing with fine words of economics committees. People are so damned fed up with economics they are going nuts. And demagogues like Walter Reuther are taking the economics of these billion men and making chumps of them.

Let's quit talking about economics and execute our responsibility to the American public, whose standard of living has increased. That is where we are selling more gasoline and heating oil and fuel oil. The standards of living in this country have increased and they want more petroleum products, and we are now on the spot as to whether we can supply it. After a week on the road talking with oil men and two days here I doubt whether we can supply it. I doubt whether we can supply it in ten months, or twenty months, the estimated time of taking care of these materials shortages.

A little laughs don't discourage me, because serious people do laugh occasionally.

Now, what I want to convey to you here is that when you adopt this thing today that you fully publicize what you are doing. That will be the best public relations for this industry and it won't cost you a nickel to run an ad in any newspaper. You send out of here today the report of the Agenda Committee that you have taken this forward-looking action, not planning, and that you propose to get supply and demand figures on the table here for discussion quarterly, and you don't need to put any ad in the newspapers to tell the public that you are progressive, that you are technologically alert. You will be telling them today that you want to execute the responsibility and trust that has been put into our hands of supplying the domestic demand for petroleum products first.

One more concluding remark: I don't know too much about foreign lands, and I sympathize with those poor people. All of my people came from there. None of them came via Boston, or the Mayflower. All my people are recent immigrants. My people left there because the Czar, in one case, had trouble with my father, and he just beat him to the border after serving six years in Siberia. It wasn't because he wasn't a gentile. My old man was a gentile. But he was always thinking about the people and not the Czars. And for thinking about the people he spent six years in a cold area, Siberia. I am his offspring.

I am proud of it. I am proud to be a part of this oil business but I hate like hell to see you fail.

Why are you exporting diesel and distillates abroad when you are short here? Why are you doing it? Can anybody tell us why we have got to do it? Nobody tells us that now in any of these statistics. They tell us, "Well, poor people." I am sympathetic with them, but I am thinking of the poor people here first, and you will be in the oil business in America longer if you do.

I want to now vote, if I can, on George's resolution, and then after lunch, if we might talk about how to get some supply and demand figures for discussion here -- that we don't prepare, but our people do.

Mr. Hallanan: Any further remarks?

Are you ready for the question?

(There was a call for the question.)

Mr. Hallanan: All in favor of the adoption of the report of the Agenda Committee will indicate by saying "aye"; contrary, "no."

Unanimously adopted.

We will now recess until 2:30.

(Thereupon, at 1:15 p. m., a recess was taken until 2:30 p. m. of the same day.)

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AFTERNOON SESSION

Mr. Hallinan: Gentleman, the Council will come to order.

We have an interim report of the Committee on International Standards for Measurement of Liquid Petroleum Fuels. Mr. White is not here to present it, but I am going to have a copy distributed to each member, so that you may have an opportunity to go over it. I anticipate the final report of this committee will be available at our next meeting of the Council.

It is the interim report of the Committee on International Standards for Measurement of Liquid Petroleum Fuels, and it grows out of a request made by the Oil and Gas Division for recommendations on the subject.

Now, gentlemen, we have with us this afternoon a number of representatives of the different Government departments, the Army and Navy Board, and I know that you will be very much interested in hearing their viewpoint with reference to the matters that we have before us this morning.

I am going to ask Mr. Ball to present them to you, and until the conclusion of their discussion, we will suspend the consideration of any other part of our agenda.

Mr. Ball: Gentlemen, before calling on the first speaker, who represents these various Government agencies, I would like to ask the new chairman of the Army-Navy

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Petroleum Board, Admiral John H. Hoover, to just stand and take a bow.

Now, to get down to discussing Government needs and Government problems -- and they intermesh with the problems of the entire industry, of course -- I am going to call first on Captain Ralph E. Wilson, the Deputy Executive Officer of the Army-Navy Petroleum Board.

Captain Wilson: Gentlemen, before we get into this question of military requirements, there was a question raised this morning that I would like to clarify in your minds. The statement was made that the Navy had a large number of idle tankers laid up that could by some application of a magic wand be put into foreign service immediately.

I would like to correct that impression. The Navy has no idle tankers. We have a fleet of 36 ships operating in commission as Naval vessels, and they are presently hauling about 41 percent of the overall military requirements in export service. There are none of them idle.

The ships referred to, of course, are by law in the custody of the Maritime Commission, and are completely controlled by the Ship Sales Act, which is an Act of Congress, and the legislation under which the Maritime Commission operates.

That governmental policy, as expressed in that legislation,

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is, of course, solely a matter for Congress.

The Maritime Commission's present authority expires on June 30 to voyage charter these vessels, and at the moment it is anyone's guess as to what action Congress will take toward extending that authority to meet the world shipping crisis.

The Maritime Commission men are here. There are two hundred thirty-three active ships now, and they are breaking out an additional 50 ships. The total fleet is some 500 ships.

In other words, there are about 240 or 250 ships laid up in the mud at the present time. "In the mud," we use not too literally, but we suspect some of them probably are.

The Ship Sales Act places no restrictions whatever on the sale of these ships to American citizens under the terms of the Act. The Joint Chiefs of Staff, acting in their capacity and responsibility strategically, have recommended -- and it has been carried out -- a total limit of sales to foreigners of 50 ships. Now, those 50 ships have been sold to foreigners and there are some 76, I believe, applications pending for additional sales foreign. Whether or not that ceiling will be lifted to permit these additional sales foreign, is a matter under very active consideration at this very moment.

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The 76 applications include some 22 to 25 ships British, and they also include some 18 ships Greek, and some 10 ships or so French, and so on down the line.

Now, it is all well and good to say you will lift the ceiling and permit additional ships to be sold foreign. These ships represent war assets to a considerable degree. In the case of a national emergency they would be immediately required. Whether or not you make the decision to sell exclusively British, or whether you raise the limit to include the Greeks and French and Argentines and all the others, is a matter now being very actively considered. But by no waving of a magic wand can the Navy or the Maritime Commission break out ships to meet the need of the shipping crisis.

I have two sheets here, which I believe are being circulated, representing our estimate of military requirements through the balance of 1947 and through what we call fiscal 1948. I needn't tell you, I don't believe, that we are very much alarmed over the present situation from a military supply standpoint. We have invitations to bid going begging at this very moment for products that are very vitally needed for military use.

The whole situation does not look at all good. Now, we are, we realize, no longer preferred customers, as was brought out this morning. We can't operate on priorities,

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but nevertheless, there is an obligation to be fulfilled by these military forces of ours that must be fulfilled, and military stocks must be maintained, which I think you will realize when you see the totals are very small potatoes compared to the total production of the United States.

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I am not going to burden you with a detailed reading of all these, but for emphasis, I would like to go through the totals for 1948. We have on this photostat sheet marked "on shore" and "off shore" liftings. In other words, the on-shore is that portion which we would lift from continental United States, or obtain from continental United States, and off-shore is that which we would lift off-shore, the Persian Gulf and United States Gulf.

These figures are in thousands of barrels. The totals are as follows:

Navy special fuel, on-shore, 12,419,000; off-shore, 14,417,000. That is for the total year next year.

Other heavy fuels, on-shore, 17,433,000 and 96,000 off-shore.

Navy Diesel, 8,030,000 on-shore, and 9,020,000 off-shore.

Other Diesel Fuels, on-shore, 2,156,000 and nothing off-shore.

Motor Gasoline is 6,142,000 on-shore and 2,308,000 off-shore.

Kerosene is 404,000 on-shore and 5,000 off-shore.

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Aviation gasoline, so far as we can see now, must come all on-shore. 115/145 is 4,229,000 on-shore, and none off-shore; 100/130 is a total of 8,567,000; 91/98 - 73 is 1,221,000 total; jet fuels is 2,121,000; lubricants, 823,000; aviation lubricants, 295,000; greases, 17,000.

These copies will be made available. I think they have been circulated to all members.

In addition to that, I have here a summary for our requirements for the balance of this year, which have not yet been met. Most of these invitations have gone out, and the balance represented on this mimeographed sheet remains at the present time unfilled. I believe that is fairly self-explanatory, and I won't burden you with a detailed reading of it, but those are the facts, and as I say, we are very much concerned with the whole situation.

To put it very bluntly, we feel we have been given the brush-off. These invitations have gone out, and they have not been answered. We have not had the kind of support we think we are entitled to, and in some cases it is pretty obvious that for a premium price certain things could be done.

Now, we do have these obligations. They are national, and they are extremely important. While having them, we also operate on a close budget, and can ill afford to pay

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premium prices to meet items of that nature, items of national necessity. So I submit these figures to you for your serious consideration, and I hope that we will not wind up with either an empty oil can or empty pocketbook.

Thank you very much.

Mr. Hallinan: Are there any questions that any members of the council would like to direct to Captain Wilson?

Mr. Majewski: On that report, Captain, are those all 42-gallon barrels?

Captain Wilson: Yes.

Mr. Majewski: What are the premium prices you are talking about? If that goes unanswered, I would be worried about it myself, because just what do you mean by premium prices?

Captain Wilson: I think it can be summed up primarily in the bids we have had for aviation gasoline, which have varied all over the lot. Some prices are lower than we budgeted and some a great deal more.

Mr. Majewski: But that applies only to the aviation gasoline bracket?

Captain Wilson: That is the most recent application I have, the one I had in mind when I made the comment.

Mr. Porter: A year ago, when the Navy was short of fuel oil, the report got out and has circulated since, that the Navy at that time had 7,000,000 barrels of heavy fuel

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in underground storage at Pearl Harbor. Are you permitted to say whether that is true or not?

Captain Wilson: We have storage in Pearl Harbor, yes. At the present time we are keeping it as well stocked as possible to support the fleet.

Mr. Porter: It was well stocked at that time, too.

Captain Wilson: I am not prepared to say in that connection. I don't believe it was, but I am not sure of it.

Mr. Porter: That is the report that has been circulated since then, that at that time you had some 7,000,000 barrels.

A Voice: You wouldn't think much of the Navy if they didn't have that.

Mr. Porter: That is a hell of a lot of fuel to be in one spot.

A Voice: It is a hell of a lot of Navy.

Mr. Majewski: I have another one. Lubricating oil is a very large amount, and lubricating oils are very scarce in this country. The demand far exceeds current supply. The Navy purchases on work tests. They have an elaborate system of work tests that many suppliers or manufacturers of lubricating oils have never bothered with because of the cost and the trouble of going through these tests. It seems to me if you were willing to buy on straight specifica-

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tions of the industry, for instance, like industry buys, to lubricate expensive machinery, you could get more bidders on lubricating oil.

However, if you ask us to wait two years in order to get it approved at Annapolis, you are cutting out 20 or 25 suppliers of lubricating oil that I know of who don't bid.

Captain Wilson: Of course, Mr. Majewski, that is an old story, the matter of acceptability tests. It applies to practically everything the Navy buys. Are you referring to general commercial classifications or marine specifications?

Mr. Majewski: General commercial specifications. Most of the inland refineries don't know much about marine specifications. We could meet them if we weren't required to meet a work test. In that case, I think we could even meet the marine specifications.

Captain Wilson: Without getting into the technicalities of it, in materials other than petroleum, I have seen this same thing come up before in electrical machinery and steel castings versus cast iron, and many other things. Those tests in themselves appear pretty silly, but you will find if you run through the background of them that they are usually there because there has been some rather outstanding failure that caused them to be placed in effect.

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Now, we are not perfect, and maybe we go too far in some things and maybe we are too much conservative, and I would be interested in finding out in what way these specifications can be modified to meet these shortages.

Mr. Majewski: That is the reason we brought it up. We meet Admiralty tests for the British Navy, but don't go through work tests. The British Navy can buy stuff in inland states without work tests. In normal times, that is a good thing, to go through work tests, when you have normal suppliers, but today you don't have that condition.

Mr. Duke: I find that the Fuel Division of S&E are disposed to consider little changes in specifications in times of high supply, and I know they do that. I don't know if they do it with your authority, but I assume they do.

While I am on my feet, may I mention one other thing? There was a solution to a tight fuel situation about one year ago that came up for comment here in the Agenda Committee of this organization yesterday. I want to preface it by saying I am not speaking of my company. I think most of us who come here come thinking in terms of leaving our company outside the door when we come in. At least, we try to do that.

I was invited to this conference and have supplied some of the fuels, so I could have no complaint. There are

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people in this industry who do not like the Navy or anybody else solving their problems, if it can be avoided, by private negotiation at a high level with a few companies where premium prices are paid and a whole lot of the other fellows do not get a crack at the business.

I am referring to a policy thing. It is a matter of when you need some Navy specialties, you call in some of these companies who want the business, and that leaves you open to criticism that since that premium price was paid to get the stuff, that that business should have been offered to everybody in the business. There is quite a little complaint in that regard. I hope it won't be necessary for you to solve too many of your supply problems in that way, but it is felt you should give the whole industry a crack at that business.

Captain Wilson: So far, we have not resorted to anything of that type. Industry has received telegrams from the Bureau of Supplies and Accounts in the Navy, and also the Quartermaster has sent out similar ones, and it is the responses to those telegrams, which were industry-wide -- at least, sent to all normal suppliers, I think, everyone who has shown interest in military supply -- and that has caused me to make the remarks I have made.

Mr. Majewski: We are here to help you, and we have been talking about this for a long time in the industry.

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you buy about 20 percent on-shore of your requirements for Diesel fuel. This country has gone Diesel-minded. It is the judgment and estimate of people in the interior of the United States, who make a lot of Diesel oil -- and we consume a lot domestically in our railroad transportation facilities, development of light, heat and power -- it is our opinion that when you -- and this is again a matter in which I hope the Department of Justice is not too seriously interested -- I might tell you in our own little outfit we have talked about whether we should make Diesel oil at these levels of two and a half cents under the gasoline, say, for example, under the gasoline tank-car price. The result is, we don't make Diesel. We crack it. The Diesel demand will take up to 20 percent of the total distillate demand. We foresee the day when Diesel will be selling in excess of house brand gasoline at the refinery. Therefore, it might be well for the Navy, in going for appropriations to the people on the Hill, for them to consider that.

It is my opinion that Diesel fuels will cost in excess of the price of gasoline in a couple of years, and you will get in that way, when you are willing to pay the price, competitively, you will get all the Diesel you need from this country in these amounts.

I think that is something you ought to bear in mind. Some of your appropriations are too low for commodities like

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diesel and gasoil. They have taken on a new value, those products, in the eyes of the consumer.

Captain Wilson: We have a feeling, too, that some of the appropriations are a little low.

Mr. Majewski: I am not talking price, now, and the record should be expunged on that subject.

Mr. Hallinan: Are there any other questions, gentlemen?

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Thank you very much, Captain Wilson.

Mr. Ball: I would like to add my thanks, Captain Wilson.

Now, the Army and the Navy are not the only people in the United States Government, as you know, who need petroleum supplies. The Bureau of Federal Supply over in the Treasury -- I am not sure yet whether it is Procurement Division or Bureau of Federal Supply, since there seems to be some question as to what the most recent name is -- have been having their troubles. Mr. Fred Witt is going to tell us about them.

Mr. Gannon: I am very sorry that Mr. Witt came here with some figures, but became ill and had to leave. If I may pinch-hit for him I would like to give you the information.

Mr. Ball: This is Mr. W. E. Gannon, who is pinch-hitting for Mr. Witt.

Mr. Gannon: It is the Bureau of Federal Supply. It used to be Procurement. We are charged with buying the fuel oil and gasoline for all activities of the Government,

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excepting the navy. That is, to be used within the United States.

Our overall picture is about 490,000,000 gallons of fuel oil of all grades, and a little over 300,000,000 gallons of gasoline. We don't buy the aviation, excepting at certain commercial levels.

Recently we went out in our Region 3 -- we have six regions, and we stagger the buying, in order to keep an even flow of work -- and Region 3 takes in the great Middle and Northwest -- not the Northwest, but the Minnesota area. We received very poor response to the fuel oil, particularly. The drum deliveries and tank wagon deliveries are pretty well taken care of, but when it came to tank car, transport truck and marine deliveries, we needed approximately 30 million gallons, and we received coverage on approximately three million, about 10 percent.

We then sent wires out to those we thought might help us out, and got three responses in the way of bids, and they totaled about a million and a half gallons; so that now we have to get 25 million coverage, or go without contracts. Our only alternative is to contract with some brokers in Texas and bring it up from there, but I don't think that is a very good idea in view of the tank car shortage and the price. That is just one region of the six.

Region 4 is working somewhat better. There the response

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was somewhat better on the larger deliveries, and less on the small. Most of that which we have not covered is for the War Department and Coast Guard.

So, briefly, that is the story.

Mr. Hallinan: Are there any questions, gentlemen?

Mr. Wilson: Have you revised your specifications on gasoline?

Mr. Gannon: We have worked hard on that, and I believe the industry is more or less satisfied with current specifications.

Mr. Wilson: Do you recall what it is?

Mr. Gannon: I couldn't give it to you at the present time. We did have great difficulty on gasoline specifications about two years ago.

Mr. Duke: I would like to ask a question of Mr. Gannon. You speak of your regions. Are those regions the same as the BAW regions?

Mr. Gannon: For instance, the BAW region took in the whole Atlantic Coast, where we break off in North Carolina.

Mr. Wilson: Your Region No. 3 is in the north, and BAW region 3 is on the Gulf Coast.

Mr. Duke: I find your Department very cooperative in all the aspects of its procurement. I am sure you people have in mind that some of the smaller people in the business find it difficult with the market uncertainty and for the

r15 period of time set forth in the contract -- that is probably the reason a good many bids were not put in. I think they did that to take into consideration markets, date of delivery; and some of these people who used to bid on these things have the goods and will deliver, but with a reluctance, in view of the fixed price for the period of the contract.

I don't think it is a matter of lack of supply, but fearfulness on bidding. I find in talking to some of the smaller people in the business, that they have a lack of understanding as to how easy it is to get some of your business, despite the 17 forms that I heard about.

I am wondering if there is some way you could publicize the information as to how they could bid on that business. There is a tremendous lack of understanding on the part of smaller firms who don't know about that. If you have anything in the nature of a pamphlet or could get one out -- it is just a thought -- that would explain and give wide distribution to the information on how to bid on the Bureau of Federal Supply requirements, that would be fine.

You don't have to bid on a wide range, but just specify items. There is no understanding among a large part of our business on how easy it is to handle your business.

Mr. Gannon: We refuse to put no one on the list.

Mr. Duke: I know that.

Mr. Gannon: We have a very large mailing list, where

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we will mail out in the neighborhood of 220 invitations, and we may get 20 or 30 responses.

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I think it is a terrific expense unnecessarily that we go to in sending invitations to a great number of people who aren't interested except to keep in touch with affairs.

I don't know how we could simplify the matter of telling them just what we expect, but the average little man, if he is not pretty well versed in business, is taking a chance dealing with the Government.

Mr. Majewski: I would like to ask a question and make a suggestion. You ask in your bids for quite an option. There is quite a difference between minimum and maximum, sometimes as much as 200 percent. You want an option from an industry at this time, which is in short supply, and when you are talking about District 3, you are talking about that great Middle West, which truly it is, and you are not going to get any options just because you are the Government, up to 200 percent. We don't know whether you are going to take 200 percent more than the minimum.

It seems you ought to buy like everybody else. We will contract with you, if you don't ask for all those options. District 3 will give you all the material you require.

We want the Government functions to work, but you can't have these options which you used to have. You know, since Max Ball sent this memorandum to the industry, I took the

trouble to analyze the bids for the last part of the war, and for the last 10 years. You bought from two to three cents under the market. Your business was so highly competitive that people broke their necks to go broke supplying you and giving you these huge options.

My personal opinion is -- and I am treading on dangerous ground -- you can't do that no more, even if you are God. You can't do it. We believe Government is God, so if you will change and revise your views on these options, and that top-price thing, you will get all the material you need in the Middle West. I will help you. I know where some of it is.

Mr. Gannon: As far as the options go, we receive requirements for each activity, and each activity is supposed to tell us as nearly as possible just what they will require, and on fuel oil, except where there is a movement of camps or ports or exchanges, it is pretty uniform. Where they say they will take 50,000, it comes pretty close.

As far as the top price is concerned, we got numberless contracts where they bid, we will say, a half a cent under the posted price, up or down. If we get a flat price in competition, we take it, so that there is no way we could modify it to make it easier.

Mr. Majewski: I think if you publicized the fact that you have changed your policy --

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Mr. Gannon: The policy has not been changed.

Mr. Majewski: The public doesn't know it. A great many suppliers out in the Middle West, who long ago quit bidding on your requirements, don't know that you now will make those quotations flexible.

Mr. Gannon: We didn't have to do it in the past. We would have done it if we had had to do it.

Mr. Majewski: No criticism of what you did in the past. I say that day is gone and you will get more bidders if everybody knows that you realize those days are gone.

Mr. Gannon: I think we are all sold on that.

Mr. Hallinan: Thank you very much.

Mr. Ball: Thank you very much, Mr. Gannon. I hope it wasn't our meeting that made Mr. Witt sick.

Mr. Gannon: No, he didn't feel well when he came in.

Mr. Ball: Just referring to one of those offhand cracks that Barney just made, remembering that I am now part of the Government, this is the first time that anybody ever suggested that I had any of the qualities or attributes of divinity.

Mr. Majewski: You might have, Max, if you keep working at them.

Mr. Ball: The tanker question enters into this thing. You have heard it mentioned here, and it presents its problems.

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We are fortunate to have here with us today Colonel Arthur G. Syran, Special Assistant to the Managing Director of the Operations Department of the Maritime Commission. Colonel Syran.

Colonel Syran: I am very happy, Mr. Chairman and Mr. Ball, to have received the invitation to come to this gathering today. I was very anxious to come, and in the belief that I would have many of my questions answered, but it appears that many of the questions that we have are questions -- and Mr. Majewski this morning rattled them off one after the other. I hope that I may discuss with you rather briefly some of our questions, in the hope that you may assist yourselves, as well as ourselves, in solving them.

Originally, I would like to clear up the fact that the name, as listed in the agenda, is not the War Shipping Board. It is the Maritime Commission, and that is significant. The War Shipping Administration, by Act of Congress, terminated on September 1, 1946. Some of its activities were carried on and are being carried on by the Maritime Commission. Those activities are operating activities.

They were originally to cease on the 28th of February, but they didn't, principally because of the relief programs and the tanker question. The movement of petroleum is a very important one, and it took a great deal of explaining to the House Committee on Merchant Marine and Fisheries that the

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Maritime Commission had to continue operating these tankers beyond the 28th of February.

The Maritime Commission desires to get out of the operating business as rapidly as possible. We have made great strides in the movement of dry cargo vessels, and we anticipate there will be no government-operated cargo vessels by the first of June, although we have authority to operate until the 30th of June.

7 The extension of authority to operate tankers also terminates on the 30th of June. Unfortunately, although it was generally known that we would be out of the business on the 28th of February, there was very little done on the part of industry to assume the burden of that movement, and we found ourselves again in the same position.

Now, many reasons have been advanced as to why industry has not come forward and bought the tankers that are available for the movement of petroleum under the American flag, and as Captain Wilson said earlier, there is no limitation whatever in the number of tankers that American operators may purchase.

We have at the present time approximately 230 tankers operating. It has been said earlier that there are approximately 250 more tankers in the laid-up fleet. Those figures are substantially correct. Of the 250, however, only 150 are of the fast type of tanker in excess of 15

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knots ,and of those 150, instructions have been issued to break out 50 of those tankers, to repair them, and to have them available as rapidly as possible. We anticipate that they will be ready some time in the month of June. That is, in a matter of about six or eight or ten weeks.

The repairs to those vessels are rather substantial. Of the remaining 100 fast tankers, 50 of them can be repaired but would require considerable expense. The other 50, I am told, are in rather poor condition, but they too could be made available.

Now, we asked ourselves and some of the Congressmen on the Hill asked the question as to why industry had not come forward to purchase these tankers and supply and demand came into the picture.

Our information was that some of the oil companies declined to purchase tankers in large numbers, although they have already purchased some, for the reason that the future needs of the country were uncertain. Granted that the requirements are rather high now, but the duration of that high demand in the future was uncertain. I was very interested in the quotation this morning as to the, I believe, 1,300,-000 additional oil burners for installation during the balance of the year and the high requirements for the other liquid fuels. Now, how long that demand will continue is, of course, a matter entirely for you to determine.

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Now, we are preparing certain recommendations to the Congress for permission to do one of several things in order to assure the continuance of tanker operations so that the needs of the country as well as the vessel needs may be met. I was very happy to be here to get the thinking on the part of industry in connection with these problems, and I will contact Mr. Ball again in the very near future for assistance because we may need that assistance to provide the Congress with the required information.

In addition to these domestic needs, there is also the matter of bunker fuel. As you know, a considerable number of dry cargo vessels are in operation today in the movement of coal and grain, principally to the European areas. Those two programs alone require approximately 500 vessels per month. That is, 500 vessel sailings a month or roughly about a thousand vessels that are in that trade.

I know that on several instances the matter of bunker fuel has been discussed because it is in critically short supply. Nobody has mentioned anything about bunker fuel today.

I am very sorry that I did not have an opportunity to see the report on the Tanker Committee. It was on the agenda for today. I don't know whether it is available. I would like to get a copy of it when it does come out.

I was also very happy to see that in the agenda committee's

recommendations, the creation of a transportation committee to delve into that phase of it was suggested.

Now, tankers as of today cease operating under government control on June 30, and it means that approximately 230 tankers theoretically would be immediately removed from service.

Obviously, nothing short of a chaotic condition would result in any such action. We have been carrying the ball in the Maritime Commission in an effort to keep these tankers in operation. We would very much prefer to have these vessels purchased, and we are asking Congress for authority to permit us to charter vessels as an alternative. Whether that will be acceptable to the Congress is something I do not know, but in sending wires out to the industry to determine their reaction to a chartering program, there appeared to be a great deal of hesitancy on the part of industry to go forward in any big way in the chartering program.

Now, that is about all that we have, and I haven't made any statements except to do a little thinking aloud in regard to our own problems. I would be very much interested in the statistics that were spoken of this morning as to what is the supply and what is the demand and any forecasts on the duration of the demand.

Thank you. If there are any questions I shall be happy to answer them.

Mr. Hallanan: Are there any questions?

Mr. Duke: I hate to monopolize the floor, but I hope I have one that will be helpful to you gentlemen. I would like to suggest very respectfully, sir, that it may be worth thinking about that when you wish an opinion as to what the views of the industry are, that if you referred to this council I think you would get a broader view, and I offer that with this thought in mind because I heard of a meeting that the Maritime Commission was going to have a few weeks ago with respect to this continuing chartering of boats beyond June 30, and we wrote and asked that -- and I am saying "we", not my company but a group of operators -- and asked that we be permitted to make our thoughts known on the subject.

We understand -- if I am rightly informed; at any rate, we were never invited -- that the American Merchant Marine Institute was consulted, but if anyone in the industry was consulted we know nothing about it.

My reason is that if you saw fit to refer to this committee, you would get some very pertinent suggestions and a broad view point. I don't believe you have any apologies to make for continuing to ask Congress to allow you to continue chartering after June 30 -- that is, if the industry was given every opportunity to buy the boats and did not do so. I understand there are many reasons.

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Colonel Syran: Let me say this. It is a very strange situation that we find ourselves in, that we are going forward and have gone forward to the Congress, requesting authority to operate vessels when we want to get out of the business of operating vessels, and that this almost imperative need for the operation of vessels is due to the need of petroleum products and the lack of privately-operated tankers, and we find that here is a government agency seeking authority to operate tankers for the benefit of the industry, and the industry hasn't come forward to assume the responsibility.

Now, as I say, there may be many good reasons why, and some of them have been said, principally the one as to the duration of the high peak demand. In connection with the requests that we made of industry, our contact, of course, has been with the operating end of the various oil companies, of their tanker operating heads. Our contact is on the shipping angle completely. We have contacted them. They have expressed their views.

The wires that we dispatched to the various associations were to the tanker sub-committees in the hope that they would come forward and give a more or less unified opinion. Unfortunately, it is my understanding that even the responses that we received from the association didn't indicate any unanimous thought on the part of the individual members.

They were split reports, as I understand it, and they were split within the split groups. I can well understand that there may be good reasons for that.

Mr. Wilson: Isn't one of the reasons back of this -- a midwesterner should hesitate to speak on the tanker question -- but fundamentally one of the things, I believe, which makes people reluctant to buy tankers under present conditions is because they know if enough are bought by private industry to take care of prospective needs, there will still be a lot of idle tankers, and despite assurances by the Congress, who can always change its mind, there is always the thought that after you pay a good price for it, that the last hundred may be sold at a bargain price, and you will have to meet that competition. They think that may happen.

Colonel Syran: I don't believe that is quite possible, for the reason that that very issue was discussed at great length during the Congressional hearings and before the enactment of the Ship Sales Act of 1946. I think hearings were held on that during the entire year of 1945.

A number of members of the committee have indicated that they are standing firm on the policy that the enactment of that law was to fix a price. Now, with the limitation that has been imposed by the Joint Chiefs of Staff as to the number of tankers that may be sold foreign, such tankers that are available would be available for sale to American

citizens and would, in my estimation remain at one price.

The matter of the sale of tankers, the price at which those tankers could be sold, was the subject of considerable discussion during the hearings on the specific matter of price, and I don't think there should be any reluctance in the matter and that there is no ground for the feeling that if they don't buy it now, they may be able to get it cheaper a little later on.

As Mr. Majewski said earlier in the meeting in connection with government policy about the purchase of fuel, that they had to pay the price, I think if industry wants tankers to operate in order to meet its needs, industry will have to pay the price that has been fixed by statute.

Mr. Blanstein: I think there has been something on that. If the Maritime Commission feels reasonably assured that there will be no reduction in the future price, couldn't they stipulate that in the contract to the present purchasers to the effect that if the purchase price came down that the present purchasers would get the benefit of that reduction?

Colonel Syran: The Maritime Commission has no authority to fix the price. The price has been fixed by law, and since that is true, the only one who could make any change in it would be the Congress. From the indications that the Committee has made, I don't believe there is any remote chance that there will be any change in the price.

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Mr. Blanstein: That assertion could not be made in the contract unless Congress agreed to it?

Colonel Syran: The only assertion the Maritime Commission could make would be that it would be sold at the price stipulated by law. I don't think Congress itself could go beyond what the law provides.

Mr. Holman: Mr. Chairman, I don't think it is worth while, probably, to mention here that certainly as far as industry is concerned, I am sure they are doing this a great deal of harm, and I have been under the impression that certain industry groups and individual companies have approached the Maritime Commission with various suggestions. I don't know how long you have been acquainted with the oil industry, but to get a unified viewpoint on matters in this great industry is something quite difficult to do.

Colonel Syran: I appreciate that.

Mr. Holman: The general attitude of a good many of the tanker owners is, certainly, they want to buy some of these tankers. I think a great many of the companies have bought a great many tankers. Certainly, the company which I represent made rather substantial purchases.

Now, as for the idea of going ahead and purchasing all the tankers that you need at this time, this particular vintage of tanker, that is quite a responsibility, of course. You don't want all your tankers wearing out at the same time,

just like you don't want all your tank trucks to wear out at the same time, or all your refinery equipment to wear out at the same time, or anything else. The companies in the industry have to take that into consideration.

It seems to me that with those facts before you, there should be recommendations forthcoming from the Maritime Commission such as you suggest you are going to make. It has always been our contention that through a bare boat charter you could get these ships into action, and certainly keep things going; whereas, at the present time it is very difficult to do that. So we have continued to advocate some kind of a form of bare boat charter.

That would get the government out of operation and would put the industry in operation. I don't think this thing could be solved by any particular solution overnight, but it seems to me that if you set up some kind of formula where these vessels can be put in use as they are gradually needed, through a bare boat charter, you will go a long ways toward solving this problem.

Colonel Syran: That matter of the bare boat charter is a very interesting one. A little more than a year ago at hearings before the House Committee on the matter of the Ship Sales Act of 1946, the oil industry was very much against the bare boating of tankers, and it was for that reason, principally, that the authority to the Maritime Commission

to charter tankers was not granted. There appears to have been a reversal of that position, and a number of very interesting questions was asked as to why there has been that reversal of position.

The suggestion was made that, perhaps bare boating, bare boat chartering of tankers would solve the problem. Now, it appears that even that now does not meet with the whole-hearted support of the group interested.

A number of conditions are put on as to variances of prices and I can't help but smile because if I keep on prodding Mr. Majewski, I can expect him to ask me some questions shortly, but it seems that is the same situation that he described when talking to Mr. Gannon. You can't say if, if, if, if, and it must be this way and it must be that way and if it is so formulated as a plan, we will consider it. As I said, there wasn't any unanimity of thought on the problem, and I qualify that statement again by saying there may be very good reasons why you can't all reach an agreement, but I think principally it is the element of demand. Statistics and estimates are very essential. When you say you have purchased tankers, you have purchased tankers, but you haven't purchased all that you would require to make your movements.

Now, granted also you wouldn't buy the full number of tankers required, you would purchase a substantial number and

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probably play the open market for your marginal needs, but a couple of hundred tankers is a little more than the marginal need, and at the present time we are operating a substantial number.

Frankly, we would like to get out of operating tankers just as we are getting out of operating the dry cargo vessels.

Mr. Duke: There is very little agreement in this industry. There are a lot of people in government who wonder whether the bare boating would be a drastic solution as to certain people in the business. I don't think we face the facts here. Dr. Wilson touched on it, and as he said, he is a midwesterner and not in the tanker business, and neither is Barney. The fundamental problem, as I know it -- and I can speak for not a big firm and not the whole oil industry, but some people I know -- when Congress decided that the oil companies had to have the boats at 87-1/2 percent and the dry cargo boats sold for 57 percent -- when Wilson said wait and buy them cheaper, I don't think he meant that anybody is waiting for a bargain from the government.

There is no parallel between the present demand for petroleum, that you must pay a good price for, and you burn it up and it is gone. The thing that worries me is that if I buy one today for two million dollars and somebody buys one a year from now for a million dollars or a million and a half, they last twenty years. The man is looking down your

throat all that time. The thing Mr. Blanstein is talking about and others in this room is that you can buy a gallon of petroleum today and pay a dollar a barrel more than your competitor. You use it up and it is gone. These tankers last a long time.

I frankly predict until something is done to assure the small people -- not the big people who can take it, although they shouldn't have to -- I don't want somebody to look down my throat for twenty years who bought something for half what I paid for it. And all that while the rate structure is killing me. I won't buy it.

I want to present some views I think would be very helpful to you.

Colonel Syran: As I said originally, I was very happy to be here to get these views because I think all of us on both sides of this table today are extremely interested in making sure that the petroleum demands are met. Specifically, that there be no home or no plant in the United States that will go wanting for the lack of fuel. We are very anxious to do everything that we possibly can to assist in the movement of that fuel. We are perfectly willing to go forward and do anything that industry would like us to do so long as we get out of the operating business as rapidly as possible and industry take its rightful place in the postwar period.

We are very anxious to help, and I think this has been

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extremely helpful to me and I have sort of felt here that I have been thinking aloud; and I venture to say I will call on Mr. Ball for assistance in factual information that may be necessary for us to supply the Congress in that they may make a decision as to what should be done for the period beyond June 30.

Mr. Hallanan: Are there any other questions, gentlemen? Colonel, you referred to the report of the Tanker Transportation Committee.

Colonel Syran: Yes.

Mr. Hallanan: When the agenda was prepared it was anticipated that the report would be available, but it has not been forthcoming as yet. I take it it will not be available until our next meeting of the Council?

Mr. Majewski: Mr. Chairman, you might at that point state that all reports of the committees are made public information.

Mr. Hallanan: After they are passed upon by the Council.

Mr. Majewski: That is right, and then they are available to everybody and the Colonel can get a copy.

Mr. Ball: Just as soon as a copy is available, Colonel, we will see that you get one.

Colonel Syran: Thank you very much.

Mr. Ball: Now, we have listened to a discussion of a form of transportation that so far as the number of facilities

are concerned, if they were all in use, is in long supply. Now, we would like to turn to one that is very definitely in short supply; to-wit, tank cars, which very seriously affect our whole situation.

I am going to call on Porter Howard, petroleum consultant to the Office of Defense Transportation. I think all of you know Mr. Howard. He is going to tell us a little bit about how the tank car situation looks.

Mr. Howard: Mr. Chairman, I would like to give you just a few figures and then I would like to have the advice from this group, the reaction of this group as to whether these figures are or not correct.

In the winter of 1944-45, as near as we can check it, you had between 25 and 26 hundred high pressure liquified petroleum cars in service. So far as I know, you went through that winter fairly well.

Now, we took the inventory of the cars in September and October of 1946 and we found an LPG service of approximately 2534 high pressure cars. Since you had 25 to 26 hundred in the winter of 1944-45, this industry has indicated in several of their studies an increase year to year of about 40 percent. If you add 40 percent to that figure, you get about 3550 tank cars.

During this last winter, at the peak of it, we had in December about 2543; March 1st, 2678. That isn't far beyond

your peak, so you were short from seven to nine hundred cars during this winter for propane.

Projecting that same figure and increasing it 40 percent, you get about 5,000 cars required for the winter of 1947-48.

cyl. 11

Whether that is a correct figure or not, I would like to have this group indicate.

Projecting our production of new cars for the next eleven months to the end of December, we get 900 new cars. That will give us an over-all of about 3640 cars or about 1300 plus short for your supply next winter.

ODT would like to have some expression from this group as to whether those figures are fairly correct or are not, particularly as to demand.

Now, as to new cars, Robert Glenn, the Director of Material of ODT is available. I would like to have him tell you what ODT is doing in the production of railroad equipment as a whole and what Colonel Johnson and the ODT have thought as to the steel they could probably get for the manufacture of high pressure tank cars.

Mr. Glenn, will you come up here and tell the group, if you will, what you are trying to do in the way of material. Frankly, gentlemen, the only commitment I have from Colonel Johnson, the Director of ODT, is that he will help us get some high pressure tank cars. The exact number has never been agreed on, and I don't believe anybody can definitely tell.

The hundred cars a month which I have guessed is the best that Mr. Robert Glenn and myself have worked out in conference between the two of us. Mr. Glenn, will you please tell them about this matter?

Mr. Glenn: Mr. Chairman, and gentlemen, not only tank cars in the nation are short, but as you know, all other types of freight equipment. We have been working from March a year ago to try to have the steel industry increase their allocation of steel for both railroad maintenance and new car building. We received some relief in the early part of the year with the steel industry underwriting a 7,000-car monthly program.

We continued to press them, and last month the steel industry agreed to underwrite a 10,000-car monthly program, assuring a distribution of steel to 10,000 tons per month in different sizes, types, and shapes.

We have on order, including tank cars, at the present time as of the first of April 97,000 railroad freight cars. Of that 97,000 cars slightly under 3,000 cars are pressure tank cars. The others are low pressure cars.

We have asked the two car builders to give due attention and to maintain their forces and their maximum production on high pressure tank cars. Those two producing companies have facilities for producing around 350 to 400 cars a month, providing they can get the steel. Now the average weight of

steel that goes into an ordinary car is 15.1 ton per car, but when you come into a high pressure tank car, it runs up considerably higher to about 42 tons. Naturally, it needs some pressure on the car companies that have an allocation of so many tons of steel a month to sacrifice their production lines on domestic freight cars that are taking less tonnage and put the bulk of their tonnage in the high pressure tank cars.

However, we have had assurance that they will attempt to maintain their schedule.

Now, there are not many mills that are rolling heavy type high pressure steel plates for these cars. The United States Steel Corporation is doing their share. Some of the other mills also. Then the additional mills that we expect to pick up the heavy plates from have a premium charge. Their rate per ton is considerably higher than the Corporation rate, and it is a penalty charge that the carbuilders are reluctant to absorb. We succeeded in having some of the companies absorb the additional charge on both anhydrous and LPG production that they got out in January and in the early part of the year.

With the CPA going out of existence on March 31, the allocation authority and the directive powers of the government also expired on March 31. We took over on April 1 with the concurrence of the steel industry, the Industry Advisory

Committee of CPA for the purpose of allocating steel for the railroad and carbuilding industry.

That committee through the Iron & Steel Institute has agreed to work under and cooperate with Colonel Johnson and my office. We have taken over the representative of CPA steel division to assist us in the distribution of steel.

I have him out on the road now working with the steel mills to round up their 210,000-ton program, with special instructions to call on the mills to see if it is possible to increase the tonnage allocated for the high pressure tank cars.

Now, we have not only the shortage in LPG cars, but we have a heavy shortage in chlorine and a growing shortage in anhydrous ammonia, and both tank car builders have orders on their books in order of their placing that they feel they must give some recognition to. If they carry on their line all of their orders for high pressure tanks for LPG cars, it will create a crisis in some of the other industries.

I have asked them to consider splitting up their line, splitting their production line so they can get out some of each type cars each month so we can build up and not have too great a shortage when winter comes.

Our information also indicates that there is going to be a very heavy shortage that is continually growing in your low pressure cars. The production of low pressure or 103-type

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tank cars will not interfere with the production of high pressure tank cars. The only slow-down that we will have -- and I am told by both car builders that it will not be labor, that their labor forces are all right, that they have built up a substantial force that they hope to maintain and the success of the program will depend entirely on the ability of the steel industry to furnish the type of steel that is required for this type of car.

We have given weight and study to every item that goes in the car. We have a balanced program recommended to the carbuilders and to the steel industry and to the specialty manufacturers. We have the specialties matched against the cars on the month that the cars are due to come out of the shop, or due to be started on the assembly line in the carbuilders' plant.

We feel sure that we will overcome the shortage of castings, the amount of pig iron today going in housing items, the people making housing items are not using any scrap in their pig iron mixture. It is being made mostly from straight pig iron. We hope to whip that. We know just how much additional pig iron we will need for the steel program. We can't get all steel wheels. We know how much additional pig iron we need for the air brakes and for other castings that go into the whole program.

We feel confident with the assurances that we have from

the steel industry, the cooperation that has been guaranteed and is being given each day, that we will solve this problem partially, not entirely. I think you can look forward to another tight transportation condition in this coming winter. There is no way to get out of it.

There is no way to increase production to the amount that it should be increased for pressure tank cars. The capacity for the production of new cars in the carbuilders shop, if stepped up to full capacity with all material flowing in full car sets would be 8,000 cars a month. I feel safe in saying that the two car builders could step up high pressure tank cars with their low pressure cars to a minimum of 500 cars a month if they had the material.

Now, unfortunately, the nation as a whole, and probably some of the people in the steel industry has not given enough consideration, enough serious consideration, to the transportation problem that is facing the nation.

We have been able to furnish the nation an average of 85 percent of their needs in railroad transportation. Up until last week, when there was a little slow-down, it was running a little bit heavy. Our carloading is much heavier than it has been any time during the war. Our turn-around time has been reduced. With some extension in turn-around time in tank cars over the winter months. We hope the turn-around time will be less now that the winter is over and the

weather is better.

Colonel Johnson and his staff are doing everything humanly possible on a cooperative basis without the directive authority and without any coercion to impress on the car-builders and the steel industry the necessity for increasing the production, not only of high pressure cars, but of all types of railroad equipment.

Thank you.

Mr. Hallanan: Are there any questions, gentlemen?

Thank you very much, sir.

Mr. Ball: Before going out, Mr. Howard and Mr. Glenn, I would like to have you hear what I am going to say. I think it is only fair to say that the oil and gas industry have had few friends as staunch and as effective as the Office of Defense Transportation has shown itself to be. You charged us last fall with trying to keep LPG cars available. We did what we could, but I want to confess to you very definitely and frankly that whatever was done was done by the ODT, and we backed them up to what extent we could.

Now, I have one more speaker for you. I ask that you not shoot him, despite certain hearings that have been held on the Hill during the last week or so; although he comes from the Federal Power Commission, he has had nothing to do with the little matter that was under dispute over there.

This Council, as you know, and the Oil & Gas Division,

as you know, are charged not only with consideration of oil matters, but also consideration of gas matters and supply of gas for any part of the United States is a matter of moment for two reasons. One is because gas is within our purview and the other is that a shortage of gas throws a greater load on the fuel oils.

I would like to introduce to you Mr. James V. O'Connor, who is Chief of the Natural Gas Certificate Section of the Federal Power Commission.

Mr. O'Connor: As Mr. Ball stated, we have had a shortage of natural gas during this past winter throughout practically the entire northern part of the United States. From present indications I would hazard a guess that the situation will probably be a little bit worse next winter. I know there are a number of men here that know a lot more about it than I do, including Mr. McGowen, Mr. Bay and Mr. Hulcy, but I will stand up here and make some guesses for you.

I looked at some of the figures of the United States Bureau of Mines. Those are some of the statistics which apparently Congress doesn't want any more. I found that during the five-year period between 1940 and 1945 the domestic consumption of natural gas went up about 37 percent. The industrial consumption, if you excluded field use and carbon black went up about 71 percent.

Since the end of the war, apparently, residential con-

sumption has been trying to catch up with the growth of industrial consumption because there has been a spectacular increase in the use of gas, particularly for space heating purposes. The rapid growth of space heating loads with the relatively low load factor has created a demand for large increases in pipe line capacity.

Due to the shortage of pipe line construction material, particularly large diameter steel pipe, pipe line companies have not been able to construct facilities fast enough to keep up with the demand. As a result, it has been necessary for pipe line companies and distributing companies in many states to restrict or practically virtually prohibit installation of space heating jobs, and to a large extent to try to control the additions of industrial loads.

This situation is pretty general across the whole northern part of the country all the way from western New York to Colorado and Wyoming. These restrictions on the use of gas for space heating and other purposes have generally been put into effect by the local distributing companies with the approval and sanction of state and public service commissions after a realization that the amount of gas available just won't be able to keep up with the demand.

Some of the more important pipe line companies have found it necessary to file with our Commission so-called emergency service rules, which provide a procedure whereby load will be

cut off their pipe line as the demand increases, particularly during the winter time. The interruptible industrial loads come off first, and then we get into the firm industrial and in effect many of these emergency service rules sort of allocate capacity of the pipe line companies to their various distributing companies customers and to its direct industrial customers.

Despite these restrictions, so-called, on new loads, the load keeps on growing because it is a practical impossibility for a gas company to just stop growing. People keep asking for service for ordinary residential use. There are thousands of dealers selling space heating equipment who can't afford to be put out of business overnight, so they keep selling a moderate amount of space heating equipment. Then there are many industries which have been looking forward to securing natural gas for one, two, or three years, and have been put off and put off, and they finally get to the point where they say "We need it, and we have this plant costing so many millions of dollars, and we have got to go ahead."

Now, last winter in this area I speak of running from western New York out to the Rocky Mountains, not uniformly, but in a good many parts of it, the so-called interruptible industrial load was curtailed for long periods of time. It is the usual practice in the gas industry to curtail interruptible

industrial loads usually for a few days or a few weeks each winter, but during the past winter it was necessary for many of the companies to curtail it for the major part of the winter.

Then on top of that, the firm industrial service was curtailed from day to day in many parts of the country, particularly here in the eastern so-called Appalachian area, with the result that millions of dollars of production were lost and lots of wages were lost by workers.

Despite all these curtailments that were made of industrial loads, there were many days in which the gas demand was so great that residential service was entirely inadequate. In some places the pressure was so low that you couldn't get sufficient gas for cooking and water heating. In other places the pressure was lower than that, so there were thousands of residential customers without gas service at all.

Now, for instance, here in the so-called Appalachian area, according to figures which have been submitted, there were a number of days in which the shortage was in the neighborhood of 500 million cubic feet, and there are a number of other systems in the country in which shortages were in the neighborhood of 200 million cubic feet on certain days.

Now, of course, as Mr. Ball stated, the shortage of natural gas will probably be reflected in an increased demand for fuel oil because these people who burn natural gas, when

they can't get it, they generally go to fuel oil and sometimes to LPG. They didn't have too much luck last winter in getting the LPG, so I guess a great many of them will be making contracts for oil, and according to what Mr. Majewski said, some of the oil dealers are not interested in making contracts, so some of the gas consumers are going to have a little trouble.

Of course, the solution of the gas company's problem is to get more pipe line facilities, and they have considerable difficulty in getting the necessary pipe. During the year 1946 and in the first part of this year the Commission authorized the construction of facilities costing approximately \$325,000,000 for the transportation of natural gas, and the daily capacity of those facilities is perhaps in the neighborhood of 1,200,000 MCF.

Now, we have a still bigger number pending. We have applications pending for the construction of facilities at a cost of about \$850,000,000 and representing a proposed increase in capacity in the neighborhood of 3,600,000 MCF per day.

The two figures together, both approved and pending, add up to nearly \$1,200,000,000, which is a substantial sum of money. It compares with an investment of \$2,000,000,000, which all companies which report to the Commission had at the end of 1945.

That gives you an idea of the rate of expansion of the natural gas industry at the present time, the rate at which it would be expanding if it could get the necessary materials.

Those are just interstate pipe lines. Those are the companies which report to the Commission. As another indication of the size of this proposed expansion, during the year 1945 they had average daily sales of approximately 7.2 billion cubic feet, and this proposed increase in capacity of about 4.8 billion cubic feet per day represents about two-thirds increase in volume of business in a relatively short time.

Now, some of these figures I have given you include one or two projects which have been dormant with the Commission for a long time where the applicants haven't pressed their applications, but on the other hand, we have received a great many more applications since we put these figures together around the first of the month. So I think the figures still hold true as giving you an indication of how rapidly the industry is growing and what it needs for material.

Now, I notice in this Agenda Committee Report there is a recommendation for the ascertaining of the facts regarding shortages of casing line pipe and all other necessary material and the amount of the deficiency and the duration of

the shortage. I think practically everybody would like to see that information compiled so we would know just about where we are going. We have many pipe line companies now making application, and they say frankly that they expect to get started on the construction of the line about 1950, 1951, or 1952.

One project, which the Commission has already authorized, the latest information they have is that they will probably start getting their steel some time the latter part of 1952 and complete the project about a year later. So that is a long way from 1947. In the meantime, the people who are to be served have a long time to wait and wonder and worry about where their gas supply is coming from.

That is all I have, Mr. Chairman.

Mr. Hallanan: Are there any questions, gentlemen?

Mr. Russell B. Brown: I do not want to enter into a controversy with you, but a lot of problems are there, other than the question of supply, and you are losing valuable service of much of your Commission's time, some of us feel, because they are going into fields in which they are not conducive to the best results. That is, you are trying to get down into the production field and the fixing of prices in the field. We are trying to get you to go along with us and help correct that. I want it to be known that it isn't entirely a matter of steel supply, but that there are other

elements involved.

Mr. O'Connor: I think these elements I am speaking of make it primarily a steel supply situation. I myself don't work on steel prices or rate regulatory work. I used to do some of it, but we have gas company after gas company telling us that they won't be able to get facilities in until 1948, 1949, 1950, 1951, 1952 -- and I remember reading an item from an Austin, Texas, paper in which there was the mention of these hearings of the Railroad Commission concerning reducing flare gas. This Austin dispatch stated that the oil industry had told the Railroad Commission that they couldn't stop the flaring of gas overnight because it would take a long time to get the necessary materials due to the shortage of steel.

Just within the last day or so I have read an item in a Chicago paper pointing out that the Natural Gas Pipe Line Company of America, which serves Chicago and the local companies there, had put into effect indefinitely a restriction on the use of gas for space heating. They had put a restriction in last spring effective until April 30. Then after reviewing the situation, although Natural Gas Pipeline Company is going to get an increase in its capacity this year, they intended to keep their restriction on indefinitely. The reason ascribed to the shortage of capacity was the lack of steel. We get that all the time, the lack of steel.

Mr. Russell B. Brown: Not a lack of gas?

Mr. O'Connor: Not a lack of gas in the producing field, but lack in the consuming end because of lack of steel to get it there.

Mr. Hallanan: Thank you very much, Mr. O'Connor.

Mr. Ball: Thank you very much, Jim.

Mr. Chairman, that winds up our presentation for the government agencies. Thank you, sir.

Mr. Hallanan: Thank you very much.

We have a supplemental report from the Agenda Committee.

Mr. Hill had to leave for a short time. Mr. Secretary, will you read the supplemental report?

Mr. James Brown (reading): To the National Petroleum Council: The Agenda Committee recommends the appointment of a committee to work with the Oil & Gas Division in making appropriate recommendations to the Joint Conference sponsored by the Office of Defense Transportation, concerning the necessity for adequate supplies of steel for essential tank car construction and maintenance.

That is by the Agenda Committee.

Mr. Hallanan: That grows out of the report of the Committee this morning on your recommendation.

Mr. Dow: I think that covers it. What the recommendation specifically was was that an informed committee supply the information as to the probable quantities of liquid

petroleum gas to be transported, which would come out, of course, in that form.

Mr. Hallanan: May we have a motion?

not sure
Mr. James Brown: I move the adoption of the report.

A Voice: Second.

Mr. Hallanan: Is there any discussion?

(A vote was taken and it was adopted unanimously.)

Mr. Hallanan: It is carried and so ordered.

The pending matter now, gentlemen, is the adoption of the report of the Statistical Committee, which was discussed this morning and presented by Mr. Pogue and action upon which was deferred until the afternoon session.

Mr. Wilson: I move the acceptance.

A Voice: Second.

Mr. Hallanan: It has been moved and seconded that the report be adopted.

Mr. Majewski: Mr. Chairman, I don't want to come into that other supply and demand thing that we couldn't do under the Agenda Committee, but first I want to comment on the value of this Council and the Oil & Gas Division. If anybody had any doubt on the Hill about the value to the American people and the American oil industry and to the government agencies, they had but to hear the discussion this afternoon of the various representatives of the governmental agencies that appeared here today.

I mean that in itself makes the Oil & Gas Division, the coordinating agency under which we are functioning, worth while. We should expend the money of which the Congress is merely the custodian. I think we had a very frank discussion. We learned considerable from these government agencies, and I think they got something out of the discussion equally as well.

I am proud of our government's representatives standing up on their high heels, facing this august galaxy of people.

We are about as divided as Congress in our opinion, but we usually come out with something worth while. I don't want to leave the impression that everything we do is based on the selfish motive of price. It has been mentioned a number of times today by me and others that it isn't price. I think that is one of those competitive forces somebody referred to so vaguely that I would rather call it that.

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fls.

I don't want you to get the impression that we are not doing everything we can, legally, and at a cost to one company operating in the oil business. I happen to know a considerable quantity of crude oil is moving to the Gulf Coast from the refinery by tank car--a considerable quantity at this time--and that company is taking a loss on moving that crude to afford an adequate supply of petroleum. I merely mention that, Mr. Chairman, in order that our good friends in Government who have been advising us so frankly don't leave with the impression that we are a lot of gold-diggers--that our motives are really noble and far more extensive than that.

The railroad industry had the courage and foresight and wasn't too worried about legal entanglements to go into the supply and demand picture, not only for this year but for five years hence, and then after making representations they tried to get what, to do what? So that they can further do a better job for the American people in the way of transportation.

What difference is there in meeting that supply and demand picture than furnishing the facts and figures as to supply and demand so that we could do a better job? I merely mention that in passing, to you who are still skeptics, on the question of whether it is legal for us to discuss supply and demand figures. We must take care of the Navy requirements, of course. We today got a frank picture from them as to what they need. This industry will meet that demand of the Navy. I am confi-

dent that they will do it. Yet there is no restriction on the Navy giving us that information, and why should there be a restriction on this Council disseminating that information along with other factual data on supply and demand?

Now, we have made so much progress--from the Middle West, that bread basket of the world--that I hesitate in asking you to amend that agenda today, the committee report further to take up that supply and demand factor, but I don't hesitate in suggesting that the Statistical Committee Report be appropriately amended by its chairman, and that committee, to the effect that the Economic Advisory Committee to the Interstate Commerce Commission be requested--Compact Commission (I want to stay away from the Interstate Commerce Commission) be instructed--requested, rather, to expand the supply and demand statistics that they are preparing, to the extent that they be prepared broken down by districts and by commodities in detail as to heating oils, diesel oils and residual fuel oils. If that is done, then I think this industry has done its full share in telling the American people the true situation about petroleum supply. I am not suggesting that we at this time go into any program of allocation. I am the last fellow who wants any allocation. I think the independents are a unit in stating that they do not desire to allocate either transportation space or crude oil products.

Chairman Hallanan: Mr. Majewski, the Director informs me

that he has already taken steps to ascertain that information that you have just spoken of.

Mr. Majewski: That is fine. We are making progress even faster than I know about. Here is the thing I wanted to lastly say: After you amend your report, Mr. Pogue, is that we bring up every quarter the report on supply and demand of the Interstate Compact Commission--Interstate Oil Compact Commission, for discussion here, that it be an item on our agenda, called a recurring item or problem number one, at each and every meeting that we hold in the future. I'd like to make a motion to that effect.

Chairman Hallanan: You have heard the motion, gentlemen.

Mr. Wilson: There was already a motion before the house, Mr. Chairman.

Mr. Majewski: Legally, I can make a substitute motion. I'd rather the suggestion I make be incorporated by the Statistical Committee in its report. If they don't wish to do so, then I will make the appropriate and Roberts Rules of Order substitute motion.

Mr. Joseph E. Pogue, Chairman, Statistical Advisory Committee: Mr. Chairman.

Chairman Hallanan: Mr. Pogue.

Mr. Pogue: I think that as a matter of practical procedure that it will be better, Mr. Majewski, to make a separate motion because of our Committee of twenty, I don't observe that

but three members are here and I don't think that, no matter how much we might want to change the report, we could do that without getting into complications referring it back to the full committee.

Chairman Hallanan: I think it would be very doubtful if you could amend the report at this time without consultation. I think of no objection; we can proceed with the adoption of this report and this matter will be open to further consideration of your motion. There is no conflict, as I see it.

Mr. Majewski: The only thing about that is there being a competitive spirit in me. If I agree to that I will get licked when it comes up; you see, I am in a trading position now. I want to cooperate. I think I can trade at this time better.

You will find a lot of fellows in this room have not been voting and being recorded, and not voting on this subject because it doesn't exactly cover it.

Chairman Hallanan: We have here before us a report of a Committee. The question is on its adoption.

Mr. Majewski: I now invoke what is in the constitution, and that says that any report of a committee is subject to amendment on the floor of the Council. I now invoke the constitution that was invoked on me just recently--and I don't see how you could rule like that, Walter.

Chairman Hallanan: I was only ruling on the matter of offering an amendment to Mr. Pogue's report, asking him to

change that report.

Mr. Majewski: You don't rule that I can't amend it?

Chairman Hallanan: No.

Mr. Majewski: Then I move that an amendment to the Statistical Committee's Report--what I said, to save time, say that. I so move that it is amended.

Chairman Hallanan: Mr. Majewski, Mr. Ball has some comment to make on that matter.

Mr. Ball: I am just trying to simplify, to expedite. On your first point, Bernie, about requesting the Economic Advisory Committee of the Interstate Oil Compact Commission to break their report down by PAW districts, I wired last night asking that that be done, if possible. We may be a little late, because they are meeting today; but asking that this be done if possible by putting it on two bases: One, that the Agenda Committee was going to recommend it--in fact had already recommended it to me; and second, that the Oil and Gas Division have done since the last meeting of the Council, was the recommendation of the Agenda Committee in the Council since it started has been to establish the most cordial relationships with the Interstate Oil Compact Commission, and which is working along as a very pleasant thing. As some of you know, we are calling jointly a second recovery conference here on the 15th of May, and as some of you probably know, I have been designated the Interior Department representative of the Com-

compact Commission. Now I don't believe that at this late date we could break these down any further than four products, even on our own request, but I will take up the matter further. As to your motion here, I wonder if we wouldn't get the same result this way, Bernie--if the Oil and Gas Division, and I as Director, would give you my assurance that the quarterly reports of this Economic Advisory Committee to the Compact Commission, we will lay before the Council at every meeting. If I just give you my assurance?

Mr. Majewski: That is perfectly satisfactory. That is why I thought there wouldn't be any objection. I withdraw my amendment.

Chairman Hallanan: The question is upon the adoption of the report of Mr. Pogue's Committee. All in favor say "aye". Contrary? So ordered.

(The motion carried.)

Chairman Hallanan: So ordered. Mr. Majewski, in connection with your pending motion directing the chairman to take such steps as necessary to give support to the appropriation for the Oil and Gas Division, you indicated this morning that you would have no objection to some further declaration by the Council in support of that position. Dr. Wilson had suggested that, and he has prepared, a supplement to your motion which I should like the Secretary to read, and then for you to determine whether or not you want to include it as a part of your

motion.

Mr. Majewski: I have already read it, and I think that Dr. Wilson has done a splendid job. You see I agree with my reference leader in my area.

Chairman Hallanan: I want the members of the Council, however, to hear it read in connection with your motion.

Mr. Majewski: I know you do.

Mr. James Brown: (Reading) "1 Some 27 departments and agencies of the Federal Government--"

Mr. Wilson: Start with the heading.

Mr. James Brown: "The National Petroleum Council having taken note that:

"1. Some 27 departments and agencies of the Federal Government are engaged currently in dealing with or in activities which affect the petroleum industry.

"2. The Oil and Gas Division was created in the Department of the Interior for the purposes, among others:

"(a) To coordinate and unify Governmental policy in respect to the functions and activities relative to oil and gas carried on by the several departments and agencies of the Federal Government

"(b) To obtain and analyze information as to oil and gas matters in which the various agencies of the Federal Government have a proper interest, and to advise such agencies on oil and gas matters.

"3. The Oil and Gas Division in the short period during which it has been in existence has demonstrated by its activities:

"(a) In reactivating the Big and Little Big Inch pipelines for transmission of natural gas during the fuel shortage last winter;

"(b) In assisting in the ultimate disposition of those pipelines for gas, rather than oil, transmission and their aiding in realizing some 60 million dollars additional for the United States Treasury;

"(c) In assisting the Armed Forces and civilian agencies of the Federal Government to obtain valuable and needed information, advice, and assistance;

"(d) In assembling for the benefit of the Federal Government and the Public valuable information concerning the petroleum industry and some of its problems;

"and in other activities too numerous to relate that the Division has performed services of great value to the United States."

Mr. Wilson: Insert "has performed and can perform services of great value to the United States."

(Secretary inserts such so that 3(d) reads: "In assembling for the benefit of the Federal Government and the Public valuable information concerning the petroleum industry and some of its problems; and in other activities too numerous to relate that the Division has performed and can perform services of great value to the United States.")

Mr. James Brown: (Reading)

"4. The pattern of industry-government cooperation tested during World War II by the Petroleum Industry War Council and its Government counterpart--Petroleum Administration for War--demonstrated the great value of such activity and the present relationship between the Oil and Gas Division and the industry permits continued cooperation without domination by either group.

"5. Committees of the Senate and of the House of Representatives of the Congress have indicated beliefs that the Oil and Gas Division and this Council can perform services of value to the public interest.

"6. The industry is willing, under the mechanisms established, to cooperate with government concerning problems of mutual interest and to provide--gratis--the services of its expert economists, executives, and technologists. However, the industry can not do this--physically or legally--unless the Federal Government will carry its very small share of the salary and service cost of the cooperative enterprise.

"The National Petroleum Council believing that continuation of the Activities of the Oil and Gas Division will be of great value to the national defense and security and to the peace-time economy of the Nation

"RESOLVES that the Chairman of the Council be and he hereby is authorized and directed to make to the Congress of

the United States factual presentations and recommendations on behalf of the Council to the end that the Oil and Gas Division receive an appropriation from the Congress for the fiscal year to commence July 1, 1947 sufficient to carry on the valuable work of the Division."

Mr. Hallanan: You have heard the motion.

Mr. Majewski: Mr. Chairman, instead of making an amendment, I'd like to have that incorporated in the original motion and I now move for adoption of the original motion, containing this fine presentation by Dr. Wilson as part of the motion.

Mr. Russell Brown: Mr. Chairman.

Mr. Hallanan: Yield for a question?

Mr. Majewski: Yes.

Mr. Russell Brown: I am afraid I may be misunderstood on this, but even at the risk of that, I think it would be a terrible mistake to adopt this resolution, and I sincerely hope you will not do it. I think there may be a number of reasons. I will not attempt to cover all of them. I think everyone knows my interest in maintaining this Council, because I have probably given as much time and sacrificed, through my own Association, as much energy and money as any other--probably more than any one other group of people, in order to get it started correctly, and I believe in it, and I think that it has a valuable service to perform, but I think this is going in a direction that might prove more harmful for us than it will

good. I base that on, first, the position that has been taken in Congress that there is an industry effort to demand a service from the Government that it is unwilling to render itself. I pass that by, because I don't think that is so important. I am perfectly willing to meet that. There is a far greater problem involved in this, and that is the answer to the question of what we are going to do with National expenses. We have been urging, as an industry, and urging the Congress to take notice of the continually climbing expenses of Government, and we, probably as much as any other one group, represent the industry of America. Now, do we want Congress to quit increasing, piling up expenses, or don't we? If we do, we have got to be prepared to take our part. What position are we in when we go to Congress and say, "Why don't you cut down expenses of Government"--and this Division of the Interior Department since the war started, has probably doubled in its expenses. So the eyes of the entire Congress are very greatly centered on the Interior Department. There is another philosophy that became very definite during the last election, and since that time has had a great deal of discussion, and that is, should we continue to create new bureaus? Now, in the mind of Congress, this is a new bureau, and it is a division of activity that hasn't been approved by Congress.

Mr. Wilson; Mr. Brown, may I be permitted a question? Isn't it true that there was a sub-committee report which

directly recommended that there should be a creation of such an organization as this, which in fact amounted to a Congressional approval of the very thing we have been attempting to do?

Mr. Russell Brown: I don't agree with you. It did amount to a committee approval, one committee of Congress, but I don't think it discussed and created a Division by Congress.

Mr. Wilson: Well, it was established, though, as a declaration by the committee, that has to do with the investigation of the oil industry and its activities during the war, and what the oil industry's activities should continue to be. It was the declaration of the Committee that has to do with our business activity. They made an appropriation for the last year, didn't they?

Mr. Russell Brown: For the fiscal year--

Mr. Wilson: For the last year, that is the fiscal year.

Mr. Russell Brown: That is correct.

Mr. Wilson: That was approved.

Mr. Russell Brown: That is aside from the fact of creating a Division, by Congress. I know what you are going to be confronted with. Your friends in Congress are going to ask you this specific question: Do you want us to quit creating these bureaus, do you want us to cut down Government expenses, or do you want us to just cut down Government expenses having to do with other people's business, and keep

yours counting? They ask me that, and I know what you are going to be confronted with when you go out there. Mr. Chairman, I think there is no one on the Council that has a higher degree of acceptability in Congress than does our own Chairman. I don't want to embarrass him further by urging this; I know he is not sensitive to that. But I do feel that we are creating a very dangerous precedent here. If we do it, the coal people should do it, and then every other agency of Government that is dealing with some industry will urge that industry to come in and take the same position or, if the Division of Government doesn't, the industry dealing with it will feel urged to do the same thing. I just wonder where we are going to get, if we elect Congressmen with the understanding that they are going to cut down, and then we, as an industry go to them and urge continually increasing expense. Now I think we must maintain some sort of situation such as we now enjoy, and today's hearing has demonstrated its value. I know of nothing more valuable to me and industry as a whole than to get the reports we have had today.

Mr. Hallanan: Well, Russell, if we fail to have some declaration from this Council as to its interest in the continuance of the Oil and Gas Division, don't we convict ourselves of some failure to do an act which we all feel should be done? In other words, we can't march up the hill, and then march down again. We met here at the beginning of this year,

organized this Council on a permanent basis; it could only be on that basis in the relationship with the Oil and Gas Division. Now if the Oil and Gas Division fails, we might as well be realistic now enough to realize that this Council fails.

Mr. Russell Brown: That is true; I think that is true.

Mr. Hallanan: Now, I don't think we should sit by and permit that to happen without some expression of protest. There are economies that we all favor; but certainly because this is a new department of Government doesn't condemn it as being an unnecessary department of Government. The fact that it is new, I think, had a good deal to do with the fact that it was ignored in the appropriation bill. I think there are many other bureaus that are less essential and less important than this one would be.

Mr. Russell Brown: I think that is certainly true from our point of view.

Mr. Hallanan: I don't think we ought to neglect to present our point of view. The Chairman isn't going to be embarrassed a bit by anything in this Resolution; I can assure you of that.

Mr. Russell Brown: I am not trying to protect the Chairman. I am trying to protect myself and the industry that I feel a part of in this particular occasion, as well as the Government that I know they are all concerned with. If we don't somewhere give some support to the effort of this Congress

to stop the continually increasing bureaus, I don't think you folk are close enough to the Congress to realize how they are bedeviled constantly by bureaus pulling at their coat-tails until they can't sit down and have a few minutes to fairly consider legislative problems without the necessity of considering what the effect is going to be on some bureau. They tell me every day, and I know it is true. You will find when this Division of the Government was proposed, we originally thought that we would be able to consolidate all these and thereby effect a real saving; they now say they can't consolidate. When this was originally organized I was very much encouraged because originally I thought this was going to consolidate some thirty-two different agencies into one and effect a very great saving. If you could do that, then I would be in hearty support of it and every nickel it cost to do it, but we now say that we can't do that, and there is no effort being made to consolidate, so we find a Division that was created under the avowed purpose of bringing together some thirty-two different agencies of Government under one head--and what do we find? We find that it superimposes this additional one on the others. There is no Division that I have a higher respect for. I can say a lot about some of the others that are continually going around and trying to destroy this industry. I'd like to cut their appropriations out. But I do think it is important for us, as business men, to look at this as a sound, fundamental

problem. I am not going to argue with you, Mr. Chairman. I know his sincere purpose, and I think there is no one with higher respect for the Chairman than I have, and I am willing to give him more of my time; but I think this step would be a mistake.

Mr. Boyd, Jr.: Mr. Chairman.

Mr. Hallanan: Mr. Boyd.

Mr. Boyd, Jr.: You cannot brush aside Russell Brown's argument. Apparently your Republican majority in Congress is out with a meat axe, after Governmental expenditures, and they seem to have a particularly antipathy for some reason, unknown to me, for the Interior Department. If I understand correctly, the House Committee has trimmed the Interior Department appropriation forty-seven percent. That is almost fifty percent of what this Interior Department thinks it needs to operate one. Last night, through the kindness of my good friend, Lee, I was introduced to and sat for a few minutes with a Republican member of Congress from Illinois, and he loosed a tirade against governmental expenditures, what this Congress intended to do about it. Now, I understand that the House Committee, in knocking out the Oil and Gas Division's appropriation, said, either on the record or off the record, that this thing was set up to render a service to the oil industry, and that if that were true--or I believe they said it was true if I get the information correctly, that the Government shouldn't

pay any of the bills of the oil industry. It should pay the going up appropriation, and not anything additional for the bill. Now, it seems to me that there are things that this Council should consider in connection with the adoption of any resolution about this appropriation. First is that any request to anybody in Congress to retain the appropriation for the Oil and Gas Division should be based solely upon the idea that its purpose is to serve the Government of the United States. If there is any benefit in this sort of setup, it is to the Government.

Mr. Wilson: This Resolution so sets up.

Mr. Boyd: I didn't understand that; I guess I didn't have a chance to read it, but it seemed to me that it compromises the whole purpose of this thing. Otherwise, you are going up appearing to get something selfish for the oil industry, and you merely support the House Committee's recommendation. Now the second factor involved in it--and I think the Chairman himself upon reflection would be interested in this, a number of people have mentioned it to me in the last day or two, and I have talked to Max Ball about it--is that nobody on this Council (at least I don't and those who have mentioned it to me don't) has any idea what is in this proposed budget for \$480,000 and some odd dollars. Now, if anybody hopes to be constructive in trying to aid this O & G to survive, it seems to me that--and I have said this to Max already--Max ought to make some sort of statement to the Council as to what is in the

budget. If Walter goes up and talks to somebody, and they pull the budget out and put a finger on this and that thing, how is he going to answer some of these things? All he can say is we voted to support the budget. We ought not to be put in the embarrassing position of supporting a round figure budget without knowing anything about it, and if we are asked, having to say we don't know anything about it. That seems to me to be very bad psychologically. I think Max has no objections to telling us something about what is in the budget, so I say you can't lightly brush aside the psychological effect, because we know what the attitude of the Republican members of Congress is toward these governmental expenditures, and they are just apparently taking the bark off all the way down the line. This fellow I talked to last night didn't want to stop at thirty-two billion or twenty-eight billion; he wanted to cut them down to twenty billion dollars, and he thought the Government could function even more effectively if they cut it down to twenty billion than if they left it at thirty billion. As I see it, we really have a psychological problem here.

Mr. Hallanan: I am certain that you are correct in your position that the Committee unfortunately did get an impression that we are a bureau set up for the benefit of the oil industry. When the matter came up this morning, it was with this in mind that I suggested that Mr. Majewski's resolution

should be developed so as to correct that impression, and I think it does very admirably show that this is not a Division set up for the benefit of the oil industry, but it is a Division set up for the benefit of the Government, to secure information very vital to the functions of these other bureaus and departments, that the Government is the one who is getting the benefit, and this participation of the oil and gas industry is on a giving basis rather than on a receiving basis.

Mr. Blazer: Mr. Chairman.

the cost of the Oil and Gas Division. Now, we all naturally

Mr. Hallanan: Mr. Blazer.

pay more than lip service to this idea of cutting Government

Mr. Blazer: It is quite apparent, as I read the appropriation bill of the Congress, that there is a much larger slash on these matters pertaining to the oil industry than in

most other cases, and I think this resolution here is aimed right at the point that the Government has an interest in maintaining the Oil and Gas Division. It is true, as Russell pointed out, that this does not take the place of the thirty-two-odd divisions that pertain to the petroleum and gas matters, and it might strengthen this resolution to point out that coordinating the activities of all those divisions so pertaining should effect a saving many times greater than the cost of the Oil and Gas Division. Now, we all naturally pay more than lip service to this idea of cutting Government costs, but I think there is something far more involved than just economy in this particular appropriation bill, as regards

the oil and gas industry. I think it is significant that even in dealing with these matters they left intact relative to synthetic fuels, which means the coal industry, and my impression is that our difficulty, primarily, is just our old competitors, the coal industry and the coal-carrying railroads, and I think you wouldn't have to dig very far to find that they were the people who spread the report that this was just a division to help the oil people and that oil people should pay their own bills like the coal people do. I think you will find also that the position of the Oil and Gas Division in the matter of the Big Inch and Little Inch pipelines didn't endear that Division to certain other competitive interests in this country, and that this slash of the Interior Department is the answer to the position that they took in that matter.

Mr. Majewski: Mr. Chairman.

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: I am surprised at Russell. I wouldn't be a bit surprised at anything now. We are talking about essential services, and an essential service to the people of the United States and to the Government of the people of the United States. Running through all of what Bub Wilson wrote here is the premise that we are now dealing with. Les Arends-- we couldn't elect a Democrat down there--he is in an agricultural district. Les Arends never says a word about cutting subsidies raising the price of foods to an index of 186. No,

sir, he asked for an increase in subsidies to farmers, with \$2.75 wheat and \$1.80 corn. Paul put his finger on it; they have a lot more respect, apparently, for John L. Lewis, with his damn machinations, than respect for oil people, and now for Russell to join them, amazes me. Now the people that don't want you to have this are the coal mine men and the railroads; they are your big opponents--always have been, always will be. To break this nonsense about psychological effect, I suggest that you have a physiological analysis made of these fellows that talk against this mere pittance. If you are going to talk about the taxpayer and saving them, Russell, tell Congressmen that you see, and I see them--tell them to cut out these subsidies that they are giving industries and farmers, that keep the cost of living up, for which we are criticized, the lowest-indexed industry and essential commodity in the country. If you talk more like that, instead of talking about prattling nonsense, then I'd have more respect for your judgment. Christ, why if we waste time arguing about the adoption of this resolution, then I think we ought to have a physiological analysis made of each and every one of us.

Mr. Duke: Mr. Chairman.

Mr. Hallanan: Mr. Duke.

Mr. Duke: We resolve, and I am quoting from a statement that was made in a letter that I have addressed in behalf of

myself and a few people in this business--some of the so-called jobbers--that, like all good Americans, we are anxious to see that non-essential governmental expenditures are not continued; but we do not believe the budget of the Oil and Gas Division falls into that type of expenditure. That has been said here for the last five minutes. Some distinction should be made between expenditures that, shall I say, are essential, desirable, or pay dividends, and those that do not. I do think it appropriate, and I have to agree with Russell on that point, and Bill, that we are against the non-essential expenditures demanded of Congress by the votes of last November. I don't know whether we want to adopt as the majority view of the body here that we believe this is non-essential. I would like to just mention one thing and then I will sit down: I believe the oil industry would be more than happy to pay the whole bill. I think it is impossible to do it, Russell, in view of the fact that there is some governmental blessing in guidance and umpiring of these even closely approaching programs. It is not possible to form a trade association to do it. Now I want to point out this one thing for Bill Boyd, and Bill, I love the fact that in the industry there are differences of point of view, and we argue like the devil and there is nothing personal about it, and we come out with a decent policy and let the majority will and rule. I happen to be chairman of a little jobber group that is made up of

representatives of something more than ten thousand jobbers in this country. There aren't ten thousand jobbers that are even members of State Associations, but they are marketers, groups of marketers, something more than ten thousand. I find that there are a lot of them, Mr. Chairman, who would like to go to talk their problems over with the individual concerns. More of them, I believe I am fair in saying this, do not believe in invoking governmental regulation or control. There are a few who do, but the majority do not see it. Now, they go to a private company and ask consideration of certain problems, and the companies, I find, are usually quite willing to discuss and solve some of the problems, and you get the answer, usually, that, "I am willing to do that"--one of the leading companies in the particular area--"but it is impossible for me to do it unless competitive firms follow a like policy." I can't pay my bookkeeper five hundred dollars a month if my competitors only pay him two hundred. Now we find, therefore, that we like to sit down with the whole industry in a given area. Now the recourse for years, and this is something the big boys--I use that "big boys" not with any criticism--but the big boys ought to think about the fact that for the little boys who have to make up this Council, that I am a member of and a chairman of at the moment, there is only the Department of Justice. They don't know where else to go to squawk. I go over to Pure Oil and Standard Oil, Gulf Oil and Shell Oil,

and they can't sit around a table for concerted action to solve some of these problems, so we go to the Department of Justice. I am one of the fellows--and I wouldn't mind telling the Department of Justice--that don't like that approach. I am afraid we are going to start a snowball and it is going to engulf us ourselves. Now I believe the people of industry would rather have these jobbers, who cannot go to Trade Associations, to be able to go to Max Ball or to a forum of this sort as our organization, to present to somebody that isn't necessarily actuated with the crusading spirit I believe some Department of Justice people are. I want to tell you this, gentlemen; I hope you think very seriously of this point, that I will fight as hard as I can to maintain this council, and fight as hard as I can to keep these jobbers out of the hands of the Department of Justice, lest they be taken in themselves some day by the corrective measures they are trying to put on other people. I am not speaking of Tom Clark, don't even know the gentleman; but there are people over there who would love to hear these problems, who really dearly love to see them stir up trouble.

Mr. Hallanan: Mr. Ball, will you make the statement which he indicated he would like to hear?

Mr. Ball: I guess there is nothing unlawful in stating facts. I have heard a breakdown of our appropriation--I mean of our appropriation request, our budget request, beyond the

split between the Connally Hot Oil Act and the other activities. The administration of the Connally Hot Oil Act, 1947 estimate, was \$231,628, and other functions, \$13,298, or a total of \$244,926. Our request for 1948 was for \$241,915 for the Connally Hot Oil Act, and \$221,985 for other activities, or a total of \$463,900. Now, I would say this about the Connally Hot Oil Act, it is a function imposed by Congress. It isn't something that can just be walked off and left. It is something that Congress has instructed to be done. Now as I said this morning, I don't believe that in the long run the Oil and Gas Division is the place that it should be done or the organization by which it should be done, but at the moment we have them. Now the other activities, the \$221,985, consists of just what staff we have here in Washington, plus our rent, plus our stationery, plus our traveling expenses. Now I think that you all know that we haven't an excessive staff; we have about forty-two including clerks, messengers, and stenographers. The thing at which I aim is to have pretty much of a Mexican army--a few, not many higher-paid men at the top, and then this clerical support for them, with very few colonels and captains and lieutenants in between, because practically every problem that comes to us is a special problem that requires pretty highly specialized knowledge of the industry. This \$221,000 for which we ask next year, is for carrying on only the things which we are doing now. Now our service to both the

Government and the industry could be considerably expanded, but at the time we submitted the budget estimate in January, I didn't know so that I could state specifically, where our additional requirements would be--in other words, just exactly how many of which type of people we needed, so we stuck merely to the basic minimum of what we now have. That is what the \$221,000-odd dollars is for, just for the staff we have here, as I say, plus telephone, telegraph, rent, and stationery and traveling expense.

Mr. Russell Brown: Now the Connally Hot Oil law--I wrote it and spent a lot of time on that. I know about that, but my impression is that not much more than postage is necessary to enforce the Connally Hot Oil Act. I say that with full respect for the efficiency, and it is efficient, it has rendered wonderful service. I think it is dormant now; we may need it now. I don't know.

Mr. Ball: I don't know as much about the Connally Hot Oil Act, Russell, as I hope to, but we have had Alex Crowell. Ed Swanson runs the thing and knows a lot about it, and Alex Crowell when he was here went down and made a study in the field, and what it seems to add up to is that although the days when large quantities of oil were run across the border from Texas into Louisiana to get out from under the Railroad Commission's jurisdiction--those days are done--what the enforcement job now is, is nothing more nor less than a

policing job. Now, you don't judge a policeman by the number of arrests he makes or the number of prosecutions; it is whether he keeps his beat peaceful. The Texas Railroad Commission tells us that there would be a great deal more law violation which they couldn't prevent if it weren't for our enforcement of the Connally Hot Oil Act, and that, although the quantities are much less than they were in the day when the Act was passed, the fact that the price is higher increases the incentive to run small quantities of hot oil which in the aggregate gets to be pretty big, that at a time when you are right up against your NER, the running of excess crude can do more damage to the field than it could have done in the past during flush production.

Mr. Russell Brown: I know its value to the industry, but I wondered if we might cut it a little more.

Mr. Ball: Just among ourselves, we have this study Alex Crowell made, which came up with a tentative recommendation which was approved by the men down in the field, that would save about thirty percent by curtailment and rearrangement of offices and one thing and another, and would save about thirty percent and still leave a reasonably efficient organization.

Mr. Hallanan: I had that same matter in mind today and talked with Ed Swanson about it at luncheon. Is Ed Swanson here? I'd appreciate it if you would give the members of the Council the benefit of the discussion, the same discussion we

had today about the new phases of the Connally Hot Oil Law.

Mr. Swanson: As Max said, the character of the contra-band oil violations under the Connally Act are different now than they were in 1934 when the Act was passed. At that time we had the hidden pipelines in the East Texas fields and the oil running out at night. Now, the violations are essentially instances in which groups of wells are unable to make their allowables for one reason or another, and the deficiency of those wells is produced from other wells on the same lease by overproduction. There are instances, in a case which has just gone to the Department of Justice, where there were eighty wells on a lease. Forty wells on one side of the lease were incapable of making their allowable; some of them were incapable of any production, but the allowable of those wells was made up by the forty wells on the other side of the lease, and the oil that was involved in that case was slightly under 400,000 barrels, so that it does amount to fairly large quantities of oil. I also mentioned at lunch today that there is another case in preparation in the field in which, from the preliminary calculations, as much as a million barrels of oil might be involved in this type of violation. I think I mentioned, too, at lunch, as Max did now, that when wells are produced in excess of allowables granted by the state, that at a time wells are producing at or above their maximum rate of flow, that excess production under such circumstances is

very apt to do more damage to a field than was the case back in 1934 when we had a million barrels or more a day of surplus production and very few fields were operating at capacity; so that I think myself that the Connally Law is today more applicable to conservation, perhaps, than it was in 1934. Its enforcement falls into three categories: The first is the presence of the Examiners in the field. We have twenty-two Examiners divided among five offices, four of them in Texas and one in Louisiana. They spend virtually all of their time in the field, examining leases, talking with lease personnel. Their presence is known and they may act as deterrents to attempts to violate. The second phase of it is when minor violations are noted. They are discussed with the State staff, and corrections are made without any attempt at court action. It is only when there is a willful violation or something which approaches a willful violation, that the case goes through to the point of prosecution. It takes two examiners to handle a case and it takes anywhere from three to twelve months for them to work up a case, because they have to examine a mass of run tickets and other information, so that we are limited as to the number of prosecutions that we can handle in a year. We have an average of around twelve cases pending at all times. The fines paid under the Act in the eleven years which it has been operating--nearly twelve years now--run something over \$500,000, an average of a little

better than \$40,000 a year in fines paid. The fines paid during the past fiscal year were \$42,400, which would be right in the line of the average fines paid during the period of the Act. Are there any questions?

Mr. Wiess: Mr. Chairman.

Mr. Hallanan: Mr. Wiess.

Mr. Wiess: I'd like to speak--

Mr. Swanson: You are not addressing me?

Mr. Wiess: No. I want to speak briefly on it and express the high appreciation for the work of the Director and Chairman of this Committee, and be first also in the appreciation of the work of the fine enforcement of the Connally Hot Oil Act, which I think is of profound importance--essential to the guaranteed delivery of the maximum or anything like the maximum oil from Texas. I am speaking primarily of Texas, I am sure the same is true in Louisiana and perhaps to a lesser degree in New Mexico. I agree entirely with the statement of the Director that conservation is of much greater importance as reserves, and old, established reserves, are pulled down and demand increases. I am certainly in sympathy with the original purposes of this Division, this Council. I would like very much to see it continue. I have a great sympathy, however, with Mr. Brown's, Russell's, viewpoint. I think it can be covered if the resolution is altered, covered to illustrate that more than fifty percent of the total amount of the

appropriation asked is for enforcement of the Connally Act. It seems to me that the resolution is one that should be very carefully weighed and considered by the Council before it is adopted. I notice here the proper function is to gather information and advise with regard to oil and gas matters, to analyze. If we can't consider and recommend, then we are not in a position to advise. I take exception to the paragraphs in that--

Mr. Wilson: This isn't the Council, you are talking about the Oil and Gas Division. You are not talking about the Council here.

Mr. Wieser: I will scratch that. All right, scratch that. I accept that correction. With respect to the paragraph relating to the Big Inch and Little Inch lines, it seems to me that in the present status of the law with respect to the movement of natural gas, and the action of the Federal Power Commission, that that is of extremely doubtful value. If additional gas is moved from Texas, or moved interstate from any state, it faces confiscation of that gas under the present rules. I know of no gas producer who would not hesitate very seriously before he would sell for delivery interstate any gas he didn't absolutely have to sell. The conversion of these lines to the movement of gas interstate, designed to provide a remedy, may complicate a decision. It may be that we face confiscation along with transportation. I would cer-

tainly not favor the resolution commending such action until accompanied by a rule of equity and reason in the Federal Power Commission. I would suggest, although I don't make a motion, I would suggest that the resolution be reviewed. I would move that (a) and (b) and 4 be stricken. They refer to the gas thing only. The preamble to paragraph 3, that is, "The Oil and Gas Division in the short period during which it has been in existence has demonstrated by its activities: (a) In reactivating the Big and Little Big Inch pipelines for transmission of natural gas during the fuel shortage last winter."

Mr. Wilson: That is certainly factual.

Mr. Wiess: That is so minor it doesn't matter. A handful of gas, a gesture, not enough to have any effect in the general problem of fuel shortage. "(b) In assisting in the ultimate disposition of those pipelines for gas, rather than oil, transmission and their aiding in realizing some 60 million dollars additional for the United States Treasury." It seems now that we are getting down to the specific thing--that we declined in a debate before the A.P.I. Board of Directors three or four months ago, to send a committee to aid this thing, that we are commending an agency for taking a part in an enterprise which certainly was no part of the Oil and Gas Division and certainly no part of the duty of this Council. And that paragraph 4, which proposes that the pattern tested during World

War II by the Petroleum Industry War Council and its Government counterpart, Petroleum Administration for War which plan worked during the war, should be continued postwar. The conditions of war are entirely different. The fact that it worked during the war is no indication that it will work during postwar, and I think that the purposes are dissimilar and that the usefulness of this whole organization is dependent upon, absolutely dependent upon, that fact and I therefore would move striking those three clauses from the resolution as presented.

Mr. Hallanan: Any further recommendation?

Mr. Majewski: It refers to the Government counterpart.

Mr. Wiess: I don't think it strengthens it to tie it in.

Mr. Majewski: I sure as hell would hate to leave out the facts of (a) and (b). I think we helped the Government by aiding in the disposal of these pipelines instead of doing what the coal people wanted done with them--leave them inert, dead.

Mr. Wiess: I think for an organization to assist in making a trade of property belonging to a great industry, we are on untenable ground wholly.

Mr. Hallanan: Gentlemen, I don't know whether you have read the report of the Interior Department appropriation in connection with this appropriation, but it is very obvious to me at least, that somebody has gotten in a great deal of

animus. For instance, this sentence in it refers to the Oil and Gas Division: "The service to industry is to provide information which industry cannot get itself without violating the anti-trust law." Now that seems to me is a statement that is calculated to arouse prejudice about this Division, and that it is being used to wholly ignore the fact that this Division was created by the President and this Council was organized under the invitation of the Government. Certainly the industry didn't move to create it. It was at the invitation of the Government.

Mr. Majewski: Mr. Chairman.

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: Mr. Chairman, I'm afraid that to try to put this down in writing would kill the idea. That is why, early today, I suggested that we leave this in the capable hands of the Chairman that even Russell Brown says he agrees with, he says--and I reiterate that in your hands there would be no harm. I wanted, on behalf of this Council, to use your engenuity to do whatever you thought necessary to perpetuate the Council. Now, I am perfectly willing to go back to my original motion. I just didn't want to circumscribe it. I don't see any harm in eliminating (a) and (b), Bob, for Harry Wiess, or 4, and I hate like hell now to go back to my original idea, which is always the best one I have, I have found out, in the Majewski family. I hate like hell to go back there,

but if the Council is willing, I am willing to leave it in the hands of Walter--then (are there any women present?) we will never get our tit in a wringer, if we let you handle it, Walter, without a lot of writing. I want to go back to my original motion.

Mr. Hallanan: You won't, but I might!

Mr. Russell Brown: I think I am in good faith in this. I'd hate to see this Council go on record, something that would be bandied about over the country, as demanding of the Congress that they go back and build up an appropriation. I think it is harmful, and I am sincere. I know how well you can handle it, and I am perfectly happy with it in your hands.

Mr. Porter: Mr. Chairman.

Mr. Hallinan: Mr. Porter.

Mr. Porter: I am not going to bore you gentlemen with a discussion of the Division or the Council, either one, because I am sure most of you know my position regarding both of them, and as you know, Mr. Ball, anything that I may say has no personal reflection; I have the highest regard for you. From what I have heard here today, and read in the papers, there is a possibility of some special tax being assessed, if we insist on maintaining the Oil and Gas Division. We have a bi-annual battle in Texas to escape special taxes on oil and on oil for special purposes. We have had one going on now since January, and if the Federal Government ever finds out

how easy it is to collect special taxes on oil, and starts levying them, God help us, and for the Chairman to go over there and lobby for the restoration of that budget with that feeling in Congress, we are liable to come up with a special tax slapped on this. I don't think it is sufficiently important to the industry or the Government, for us to take that chance. Not only that, I believe I know a little about the situation. I don't think you are going to get it when you go over there. I don't think you are going to get it done, and you are liable to get that tax. I am sure that most of you men have done the same thing I have now for many years--you have spent your money, you have given your time, to try to defeat the New Deal type of government. We made some progress last November, and Congress is showing signs of doing the thing that we have been asking for and talking about over your Scotch and sodas in hotel rooms and in your homes, and cocktail parties, for fifteen long years--and then for an industry, one of the biggest industries, to go over there and tell Congress that we want special legislation for our benefit--that is the way they are going to take it. And if you read your morning papers, the Western Senators are going to try to restore some of the appropriation or budget requests on account of their public works. That is going on out there in this country. It is just pure and simple log-rolling, and it is not of sufficient importance for us to compromise our-

selves, when I know ninety percent of you have been working to get economy in Government and reduction of expenditures. I will be perfectly frank with you. I have worked to defeat that appropriation, because I sincerely don't believe in that set up. I am asking you to be consistent, do the things that you have been talking about doing for years if you could ever defeat a New Deal Congress. When you go over and ask to restore that appropriation, you are compromising yourselves. I don't care how you feel about it; in the public eye you are compromising yourselves, and you are going to lose. It is not going to be restored, and you are liable to come up with that tax on you, and when it comes, there will be another one in a little while--some other segment of the American people want some special benefit and find out--"Well, we can put it on oil." You are just inviting yourselves into a lot of trouble when you go over trying to get that budget restored.

Now, before I sit down, one of our public officials in Texas was referred to with considerable levity this morning--Colonel E. O. Thompson. Many of you know him. In Texas, he is highly regarded as a public official, and I am sure that men that know him will say you may not agree with him--I don't always agree with him--but I have never heard anybody call him a fool. I can assure you, Bernie, that Ernest Thompson knows as much about all phases of the oil industry as any man in the United States, and I think people from Texas, that know

him, will back me up in that statement.

Mr. Majewski: I wasn't going to say anything more, because, hell--

Mr. Hallanan: The Chair recognizes Mr. Dow.

Mr. Majewski: A point of personal privilege, later.

Mr. Dow: Let me say that my only reason for discussing this question is that I have had some experience inside the Government and as an observer of Government. I want to say simply this: This Oil and Gas Division, as originally conceived and set up, I think I may fairly say, was very largely the creation of a man who has rendered most distinguished, invaluable service during the war, but whose conception of a petroleum agency, and whose conception of the relationship of the petroleum agency to other Government departments--I think I am right in saying--differs from the conceptions of most of us here, and differs from the evolution of this Oil and Gas Division under the sensible guidance of Max Ball, who said today it shouldn't be an operating division at all; it should be a staff division, as he called it. What happens in the Government departments when a department is given a new job typically is this: The department goes to the Bureau of the Budget, says, "We have been given this job to do, and we would like an appropriation"; and usually they get it. Now, I was disappointed--I want to be frank with you in saying this--I was disappointed when this organization started that

Mr. Krug did not first look around his own department, Bureau of Mines, Geological Survey, and others, to find out whether he did not have some talented men already under Government payroll, who might have formed something in the nature of a liaison committee to function with a Council such as this. Of course, if Mr. Krug's budget is going to be cut to the extent--that is his normal budget--to the extent indicated in this bill, it will be still less possible for him today to find those men than it would have been at the time. I have had some experience in this. Perhaps a war period isn't typical, but when I was Director of the Division of Liquid Transport of the Office of Defense Transportation for four years, I was ashamed, from an economy standpoint, of the amount of money that they were perfectly willing to hand out to be spent. I didn't like it, and I am glad to say that we didn't spend all of it, anywhere near all of it.

Now, I don't know whether this is a practical suggestion or not. Anybody who knows the situation in Washington knows that is involved when you are dealing with Congress and when you want Government expenses reduced, would sympathize wholeheartedly with what Russell Brown said. I think those who have seen this Committee here, this Council, in the early stages, and sensed the possibilities--all of us want it to find its place in the future. Personally, I think it might be wise to talk over this matter with Mr. Krug and see whether

or not the set up as originally outlined, for a separate division, must have a separate appropriation of a substantial character, is necessary. Perhaps it is, but it seems to me that in connection with the counterflow of reductions, it is bound to be difficult to justify a new division, a new organization with a separate and substantial appropriation. Now this is a practical question--I am merely suggesting it because I felt at the time this Division was created that a simpler and a more economical method might have been adopted, and it may still be possible to save what we want to save, and at the same time handle it somewhat different from the governmental structure standpoint.

Mr. Majewski: I want to say that I have a high regard for Ernest Thompson. I was talking this morning--referring to independents--and I referred to him jocularly as minutae, because I am one of them, probably one of the smallest in the oil industry. I am proud to be one of the small fellows in the oil industry. I have no apologies to make impinging on the character of Ernest Thompson, as there is a great difference of opinion in what Ernest Thompson publicly stated without solicitation in San Antonio, on the amount of crude oil available before the NER is reached in Texas. I want that to be shown in the record; and I will tell Ernest that I was not defaming him in any way. I want to deal with the situation. I believe as a member of this Council I would be in an unten-

able position if I remained in the Council after having had my say, was defeated, and then would go up to the hill to do something. I would first resign. If I felt like Jack Porter, I'd resign and get the hell out of here and go up to the hill. But I don't care if he goes there now; I will offset him on the hill--a Democrat from the great State of Illinois, a Republican state, and he a Republican from the State of Texas--and I will put up a hell of a lot better story than he puts up.

Mr. Barton: Mr. Chairman.

Mr. Hallanan: Colonel Barton.

Mr. Barton: If it is proper parliamentary procedure, I move that this motion be tabled.

Mr. H. J. Porter: Second the motion.

Mr. Hallanan: You have heard the motion.

Mr. Barton: What is the position of it?

Mr. Hallanan: State your motion again, Mr. Majewski, please.

Mr. Majewski: I move that it be the sense of the Council, the instruction of Council to its Chairman that he make a proper representation to the appropriate Congressional Committees, to see that the Oil and Gas Division is maintained as an adjunct of the Government for the purpose of disseminating information to the public and the Government bureaus on oil and gas matters.

Mr. Hallanan: That is the pending motion, gentlemen, which has been seconded. Now, Colonel Barton, do you desire to withdraw your motion? The question is upon the adoption of Mr. Majewski's motion.

Mr. H. J. Porter: Mr. Chairman, Colonel Barton's motion was made and seconded.

Mr. Hallanan: He withdrew it.

Mr. Barton: No, I didn't withdraw it. I didn't answer that, but I don't know that I have any particular objection. I like the position that Mr. Russell Brown has taken here, and that is that every one of us in this room have fought for lessened Government expenses, and I am afraid we are making a mountain out of a molehill. I'd like to see the motion withdrawn or tabled.

Mr. Hallanan: Well, you offer that now. I understood that Colonel Barton had withdrawn his motion after he had understood that Mr. Majewski's motion was pending.

Mr. Barton: I made a mistake on that. A statement of the position of it now?

Mr. Hallanan: Mr. Majewski, will you repeat your motion again?

Mr. Majewski: I'm not sure; I got talked out of it. The motion I made early this morning, and which I wish to repeat is, that the Oil and Gas Division--that representation be made on behalf of the Council by the Chairman to the appro-

priate Congressional Committees that the Oil and Gas Division be maintained as a standing adjunct of Government service on oil and gas matters to the American people.

Mr. Barton: I accept that, Mr. Chairman, in the belief that the Chairman can help talk to the appropriate committees over there in the combination of the enforcement of the Connally Hot Oil Act and the carrying forth of this program.

Mr. Hallanan: You withdraw your motion?

Mr. Barton: I withdraw it.

Mr. Drake: Mr. Chairman.

Mr. Hallanan: Colonel Drake.

Mr. Drake: I think that this motion that is made by Mr. Majewski is probably the best way out of this thing. I wasn't here this morning, unfortunately, so I didn't have the benefit of all that was said. It is quite evident that in this resolution as it was drawn there were a good many controversial things in it, and it seems to me what we are anxious to do, isn't it, in the most practical sort of way, is to have this Oil and Gas Division maintained? I think from that standpoint, from the practical--political standpoint, if you want to put it that way, to leave it as Mr. Majewski would leave it is probably the most practical thing to do. I'd like to see it prevail.

Mr. H. J. Porter: I just want to tell Mr. Majewski I am an anti-New Deal Democrat, not a Republican, although I

have mailed you a lot of checks for the Republican party.

Mr. Hallanan: Not to me, Mr. Porter; I haven't gotten any.

Mr. H. J. Porter: I also didn't ask to be put on this Council, and I am not inferring who did, but I will use my own damn judgment about when to get off and get out of it.

Mr. Majewski: No comment.

Mr. Hallanan: The question is upon the adoption of Mr. Majewski's motion. Ready for the question. All in favor indicate by saying "aye". Contrary, "no".

(The motion carried.)

Mr. Hallanan: The ayes have it; the resolution is adopted.

Gentlemen, that completes the agenda. Any new business?

Mr. Pogue: I assured the members of the Committee that we were a temporary committee. I think our assignment by the Council has been completed and I'd like to move that the temporary Statistical Advisory Committee be dismissed.

Mr. Hallanan: Is there a second?

(The motion was duly seconded.)

Mr. Hallanan: All in favor of the motion indicate by saying "aye". Contrary "no".

(The motion carried.)

Mr. Hallanan: So ordered. The Committee is discharged.

Mr. Drake: When will we meet again?

Mr. Hallahan: Ordinarily we would meet in July, but I think that we will leave that undetermined for the moment.

Is there a motion to adjourn?

(It was moved and duly seconded that the meeting adjourn, and upon being put to vote, the motion carried.)

(Whereupon the meeting adjourned at 5:50 p.m.)